THURSDAY APRIL 15 1999

World Business Newspaper http://www.FT.com



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**Science and Mammon** Does industry funding turn research into spin? Page 22



Caspian natural gas High political risks in four-country play Page 10



**US** monetary policy Why the new paradigm tantalises the Fed **Gerard Baker, Page 15** 

Special reports Danish Banking World Energy Review Separate sections

#### WORLD NEWS

#### **Deutsche Bank** eases opposition from Holocaust group

Deutsche Bank appears to have persuaded US Holocaust campaigners to drop their opposition to its acquisition of Bankers Trust as it enters a crucial conference on the issue today in New York, but it still faces class action lawsuits and threats of economic sanctions. Europe, Page 3

india faces confidence vote india's president told the government of Atal Behari Vajpayee to seek a confidence vote in parliament after a key ally pulled out of the ruling coalition. Page 16; Asia-Pacific, Page 8

Pakistan carries out N-test Pakistan carried out a test of a long-range version of its Ghauri-ii ile in response to India's test on Sunday of its own extended range and nuclear-capable Agni li missile. Asia-Pacific, Page 6

Churches warn over Israeli dispute Israel's three Christian Patriarchs have threatened to close all their churches in Israel Indefinitely if the government fails to resolve a religious dispute in Nazareth over land. International, Page 5

Search for genetic 'road mep' The DNA of 40 people from around the world is to be "mapped" to determine how infinitesimal modifications in the genetic code underlie the basic differences between individuals. International, Page 5

Modified com spumed Archer Daniels Midland, one of the biggest US agribusinesses and a leading com processor, said it would not buy or trade any genetically modified (GM) com which had not been approved by the European Union. International Trade,

Gues for the millennium Gun dealers in America are reporting a sharp increase in worried that any problems caused by millennium computer malfunction could lead to a breakdown in taw and order. America, Page 4

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The Report Lines &

S. C. Ser C. C.

Chavez pledge on constitution Hugo Chévez, Venezuela's president, has pledged to abide by constitutional rule in his confrontation with Congress and the Supreme Court, but insisted that a popularly elected assembly that is to convene in July should dissolve both. Americas, Page 4

India's growing base of internet subscribers could surge six-fold by the end of next year and levels of net-based commercial transactions more than double, according to research. More than 250,000 Indians are aiready connected to the net.

Asia-Pacific, Page 6 Companies avade minimum wage Many small companies in Britain are finding ways of evading the minimum wage - £3.60 (\$5.79) an hour for adults - introduced this month. Britain, Page 11

**(IK jobless predicted to rise** The UK economy will avoid sion this year but at significant cost to output and employment, according to a report today. Britain, Page 12

#### Mannesmann plans expansion into

gest telecoms operators, is to

DaimlerChrysler shares fell almost 2 per cent after it became known that the US-German carmaker might have to pay stiff fines for breaching European Union anti-trust laws. European news,

investor, main holding company for Sweden's Wallenberg busi-ness empire, announced a wideranging restructuring. International companies, Page 18

Bell Atlantic took another step towards dissolving its partnership with AirTouch as it revealed it would abandon a wireless communications joint venture between the two companies. Companies and markets, Page

Paribas and Société Générale, French banks whose merger plans were hit be a doublebarrelled bid from Banque Nationale de Paris, are preparing for a fight that could last six months.

Cadbury Schweppes and Coca-Cola released details of an exchange of soft drink brands that will give the US group Dr Pepper, Schweppes and Canada Dry in Australia. Companies and markets, Page 17

São Paulo sold its controlling panies and markets, Page 17

MTT, Japanese telecoms group which is bidding for international protracted bettle with Cable and Wireless of the UK. Asia-Pacific companies, Page 19

launched rival services to offer ment online. US companies,

Japan's corporate bankruptcy debt climbed to a high of Y3,110bn (\$26bn) in March. Asia-Pacific news, Page 6

**World Equity Markets** 

# new media services

expand into new media services and internet commerce. Companies and markets, Page 17

Page 3; Lex, Page 16

17; Lex, Page 16

International companies, Page 18

stake in Comgas, the state gas company, to a consortium

Bank of America and Bank One,

The latest trends and data from more then 50 national markets at a glance

Mannesmann, German industrial group and one of Europe's stron-

formed by BG, the UK gas pipeline operator, and Royal Dutch/ Shell for R\$1.65bn (\$1bn). Com-

carrier IDC, suggested that it was

the two largest US retail banks, customers bill delivery and pay-Page 20

Boldman Sachs investment bank bought 2 per cent of Benk Hapcalim, Israel's biggest bank-ing group, from the Israeli govemment in a \$59.1m block trade reducing the state's stake to 22 per cent. International companies, Page 18

Ranco Santander and Banco Central Hispanoamericano are set to consummate Spain's biggest merger with the launch of the new BSCH group's shares on the Madrid stock market. Inter-national companies, Page 18

#### WORLD MARKETS

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# Business News Nato hits military convoy as Serbs claim 70 refugees dead

By Alexander Nicoli in London and Neil Buckley and Peter Norman in Brussels

Nato said last night its aircraft had attacked military vehicles on a road in western Kosovo, but could not confirm Serbian claims that 70 ethnic Albanian refugees had been killed in the assault.

If confirmed as the result of allied action, this would be the worst known incident in terms of casualties in Nato's three-week air offensive against Slobodan Milosevic, the Yugoslav presi-

It follows the deaths of at least 10 people on Monday when a passenger train was hit by two missiles fired by a Nato aircraft at a railway bridge in Serbia. Last night Nato's military

headquarters in Mons, Belgium said allied aircraft had attacked

Correspondent, in London

foreign minister.

their president".

Six of the seven Algerian

presidential candidates pulled

out on the eve of today's election.

alleging fraud by the authorities

in favour of the military regime's

favourite, and shattering the poll's credibility.

The six allege vote-rigging was intended to ensure victory for

Abdelaziz Boutefliks, the former

The candidates, including

Mouloud Hamrouche, former

Brahimi, an ex-government min-

ister, said they would not recog-

nise the results of the poli having

seen "the persistence of the

regime to deny citizens the right to choose their future and pick

The people gave us their confi-

dence and we were not willing to

play with it ... we were left with

two options, either a rigged elec-

tion or the respect of the people,"

said Youcef Khatib, one of the

candidates and a former adviser

to Liamine Zeroual, the outgoing

president. "We chose the people."

the nation last night. He had

refused to see the candidates ear-

lier in the day, insisting that he

Mr Zeronal was due to address

village of Diakovica, close to the Albanian border, at 3.30pm local time yesterday.

"The pilots state they attacked only military vehicles," Nato said. "We cannot confirm press reports alleging that these attacks may have caused civilian casualties.

According to Serbian official media, a convoy of about 100 vehicles including tractors and cars, carrying several thousand ethnic Albanian civilians, had been attacked on the road from Prizren to Diakovica. The road is close to the border with Albania and runs parallel with it.

In the village of Meja, 64 people were reported killed, and a further six in a separate attack in the village of Zrze. A total of 33 people were said to be wounded including three Serb policemen

with through the legal process.

move was a political protest.

source of a political crisis.

vote freely.

Six candidates quit

Algerian election

citing vote-rigging

Albanian refugees in Kosovo as human shields" by forcing them to travel with military vehicles. However, there was no confirmation last night that refugees were

being used in this way. A Nato spokesman said the incident was being investigated. "What I have been told by the operational commanders is that military vehicles were a target on that road this afternoon."

Pictures taken by a Reuters news agency photographer, who was escorted to the scene by Serbian officials, showed bodies littering a road, tractors and a horse and cart.

General Wesley Clark, Nato's supreme commander, yesterday called the railway attack "an uncanny accident" and said the train appeared after a missile had

feared the Serbs would use ethnic divert it. A second missile, intended to hit the other end of the bridge, also hit the train.

The alliance insists it is trying to hit only military targets in Yugoslavia with the aim of removing the capacity of Serbian forces in Kosovo from oppressing the 1.5m ethnic Albanians in the province, of whom as many as 1.3m have been displaced from their homes

The attack occurred as European heads of government, meeting in Brussels with Kofi Annan, the United Nations secretary general, discussed a Kosovo peace plan proposed by Josehka Fischer, Germany's foreign minister.

Kosovo crisis, Page 2 Soul-searching in Moscow, Page 14



#### **Energy bids** confirm renewed interest in S America

By John Barham in São Paulo Mark Mulligan in Sentiago and Robert Corzine in London

European groups yesterday bid R1.65bn (\$1bn), more than double the minimum price for Comgas. the Brazilian gas company being privatised by the state government of São Paulo.

The sale to a consortium made up of BG, the UK gas pipeline operator, and RoyalDutch/Shell. confirms the recovery in investor sentiment towards the region following the Brazilian currency crisis in January and the growing interest of foreign investors in Latin American utilities.

It came a day after an offer of \$1.5bn by Endesa, the Spanish utilities company, for a 29.7 per cent stake in Endesa of Chile, the continent's second largest electricity generator. The bid, which was higher than expected, is through Enersis, the electricity distributor which Endesa of Spain controls and which already holds 25.3 per cent of the generator. It tops a \$2.1bn bid by Duke Energy international for 51 per cent of the Chilean group.

Both announcements further strengthened the rally in Latin American stock prices. In Sao Paulo early trading, the Bovespa index rose by nearly 2 per cent, while the Chilean market gained more than 0.5 per cent. Prices on both markets are now more than 30 per cent higher than at the beginning of the year, while Mexico has gained more than 35 per cent.

BG and RoyalDutch/Shell beat off competition from three other international consortia, paying a premium of 119 per cent over the minimum price. Enron of the US. which made the second highest cent

The battle for Endesa follows the \$830m acquisition on Tuesday of the energy assets of Chilquinta, a Chilean holding company, by a US consortium of Sempra Energy of San Diego and New Jersey-based Public Service Enterprise Group.

Grupo Endesa and Duke Energy said Brazil's energy privatisation this year is one of the main reasons for their push into Latin America through Chile.

Details, Page 17

# Monti hopeful over deal on savings tax

By Emma Tucker in Brossels

Mario Monti, the European commissioner responsible for financial services and taxation, said yesterday he was confident that a compromise to protect institutional holders of international bonds from paying an EUwide withholding tax could be

But he said a threshold of 640,000 (£26,680) - the cut-off to in that direction".

distinguish between retail and He stressed that wholesale investors in a separate EU directive - was too low. European Commission officials

have been examining a compromise plan built around a threshold, in an attempt to persuade the UK to lift its threat of a veto on introduction of the tax. According to the compromise, issues whose minimum holding

was more than the threshold would be exempt from the tax. Emotions in the City of London are running high over the potenthe market for international

to the directive. A higher thresh old would make the proposal even less attractive, because it would mean more bond issues would be subject to the measure.

Mr Monti said a lot of work had been done to minimise the compliance costs of the directive and added that although it would be impossible to reduce the risk of relocation of the market to zero, the EU was "definitely working He stressed that Europe had a

vested interest in a strong City of London and would not push measures that harmed its interests. Mr Monti said the City was a "huge asset" to the whole of the RU "as well as an efficient allocator of financial resources for the whole of the EU.

City institutions claim the tax would drive the market out of the EU to countries such as Switzer-

The proposal for a 20 per cent tax on income from the savings tial impact of the proposed tax on and investments of non-residents was drafted by Mr Monti last bonds. City institutions have year as part of a package aimed doubts about the workability of a at ironing out unfair tax competithreshold, and continue to object tion within the single market.

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•		•
ı	A demonstrator holds up a poster of Anwer Brahim at a raily in Kusia	ŀ
Į	Lumper to protest at the ousted Malaysian deputy prime minister's six-year	Ľ
	prison sentence for abusing his power to conceal alleged sexual misdeeds.	Ŀ
1	Riot squade armed with cense dispersed the protesters, Page 6 Picture: AP	11

## ime for a change of direction? Many companies reach a point where the management team decide it would be better to follow their own vision, rather And whether that involves a complete change of direction. or just a different style of management, the ideal partner to halp realise the new vision is Phildrew Ventures. We generally look at MBIs or MBOs between \$20 million and £200 million. But our contribution goes further than just capital. We also provide advice and support based on long experience, backed by the willingness, imagination and stamina to look beyond the easy deal. So if it's time you called the tune, it's time to call Phildrew. 2 Phildrew Ventures A MEMBER OF THE DBS CAPITAL GROUP Philipper Ventures, Treon Court, 14 Firsbury Square London EC2A 1PD TEL 0171 628 6366 Princer Vantures is requested by MRO

Nato

wants

Russia

'on board'

By Meil Buckley in Brussels

Nato is hopeful that it can

resolve differences with Rus-

ending the bombing of Yugo-

slavia enshrined in a UN tes-

olution, according to Javier

Solana, the defence group-

ing's secretary-general.

In an interview with the

FT. Mr Solana said that bringing Russia "back on

board" was a priority of the

alliance. A meeting of the

Group of Eight, the world's

largest industrialised democ-

racles including Russia.

could take place within a

sibly followed by a meeting

of the UN Security Council.

His comments came

shortly before Germany

unveiled a peace plan calling

for a UN-backed interna-

tional peacekeeping force in

Kosovo once Yugoslav forces

withdrew, and before a pri-

vate meeting between Mr

Deutsche.

WAR IN EUROPE MURDERED CRITIC OF MILOSEVIC BURIED IN BELGRADE III NATO SEEKS TO RESOLVE DIFFERENCES WITH RUSSIA III SERB FORCES 'UNRELENTING' III CRACKS IN UK'S UNITED FROM

# Dreams of a democracy die alongside journalist

Air raid sirens sounded the and there was silence, apart from the singing of birds and the rhythmic thud of earth shovelled on to wood.

Some 2,000 people - opposition leaders, actors, journalists, friends and strangers - gathered quietly yesterday to bury Slavko Curuvija, Serbia's most outspoken newspaperman, and with him their aspirations for democracy.

Two young men in black, firing pistols with silencers. gunned down Mr Curuvija outside his Belgrade apartment on Orthodox Easter Sunday. Police are investigavocal critic of the regime led by Slobodan Milosevic, Yugoslav president, but everyone at his graveside

done it, they were just too Covic and Vuk Obradovi - helping Milosevic." she terrified to say so.

Ljiljana Smajlovic, one of Mr Curuvija's editors, deliv- one from the government ered the eulogy. "The day was to be seen but Danica when Yugoslavia was attacked by Nato, Slavko Curuvija called a last meeting of his staff and I will mber his words: 'I won't publish a newspaper for censors, and Nato's aggression is illegal, illegitimate and

Opposition politicians and independent journalists egainst Nato's air campaign but refusing to support Mr Milosevic - assembled in public for the first time since the bombing began over three weeks ago. Looking among the crowd for the now-feared secret police. they exchanged views on the

three leaders of the opposition Alliance for Change. No Draskovic, wife of the Yugoslav deputy prime minister Vuk Draskovic, was there.

Ms Smajlovic summed up the view that Nato's camnaign had destroyed not just military targets and civilian infrastructure but also Serbia's pro-democracy movekilled cowardly in the back but bombed cowardly from the skies. He was a great journalist who wanted a secret police and enjoyed the European newspaper for

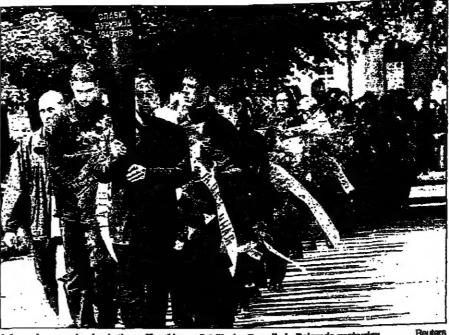
"This is our funeral," commented another journalist. Drenka Bogojevic, a middle-aged worker of the Zastava car plant bombed by Nato, called Mr Curuvija her

believed they knew who had Zoran Djindjic, Nebojsa bombing is genocide and is and Milosevic is safe in his bunker. I worked in Zastava for 17 years and had a heart attack when I saw it

Who might be next after the 50-year-old Curuvija was the unspoken question. But there was also the view that

The editor and owner of Dnevni Telegraf, a daily, and the fortnightly European. had also once worked for the confidence, and possibly laresse, of the Milosevic family. For this he was viewed with some suspicion by Serbia's fragmented and quarrelsome opposition.

But last October the European launched one of the



and carried a picture of Romania's security forces overthrowing President Nicolae Ceausescu in 1989. The magazine and daily were heavily fined for breaking Serbia's tough media

related, Mr Milosevic sacked the head of his secret police. But Mr Curuvija, who stayed in Belgrade, moved his operations outside Serbia and continued to publish. At the time of his death he was appealing against a fivelaw, and in a move that may month jail sentence imposed or may not have been for slandering a top official

in the party led by the president's wife, Mira Markovic. The last figure to leave his day was Jelena, his 20-yearold daughter. She said good-

ment yesterday that the

Yugoslav crisis should serve

as a lesson to the EU of the

need to enlarge to the east.

security in defence by join-

ing Nato, he said, but they

also needed economic secu-

Some eastern European countries had tried to find

bye to friends concerned for her future. "Take care of yourselves," she said. "Take

Solana and Kofi Annan, the UN secretary-general. They reflect a growing desire within the alliance to Meanwhile, Gerhard bring its actions back within Schröder, German chancellor, told the European Parlia-

a UN framework. Mr Solana suggested the differences with Russia over Nato's five demands boiled down to one: the nature of

any international presence in Kosovo. The alliance, he hinted could accept something other than a Nato-led force. He envisaged something simllar to the SFOR stabilisation force in Bosnia - an "efficient coalition", not just

of Nato but more than 30 countries. The Nato countries would be very important, as nations which could deploy large forces on the ground. he said. They will want to do it through the mechanism we have. But does that mean that will be the only mecha-

nism that will be there? No." Nato could not accept Rustary. The allies had already experienced the inability of the OSCE observer mission in Kosovo to prevent violence against ethnic Alba-

help to Kosovo's refugees, mistake [again]," he said. "It has to be a robust military presence, otherwise the refues will not return, because their security will not be guaranteed."

The secretary-general insisted, however, that Nato's military action to date was "perfectly legitimate", despite lacking a UN mandate, because it resulted from a decision by 19 demo-"brutality in our own territory". It was in the spirit of three UN resolutions, while Mr Annan last week personally endorsed Nato's five

The alliance also had a cleansing which, he insisted.

at stake but moral values," he said. "There is no oil, no petrol, no primary raw materials, no strategic positions. "We are building Europe... [but] if we let these things go by in our territory, it will be impossible to keep on constructing with dignity what we are

NEW ATTACKS 800,000 DISPLACED PEOPLE STILL IN KOSOVO

# Serb forces 'show no sign of relenting'

Serbian forces responsible for driving as many as 1.3m Kosovars from their homes show no sign of relenting but are being forced into a more defensive posture by Nato's air attacks, according to allied military chiefs.

The accompanying map. supplied by the UK Ministry of Defence, shows that the Yugoslav military have been active throughout Kosovo. burning towns and villages in their "ethnic cleansing"

Clare Short, UK international development secretary, estimates there are 800,000 displaced people within Kosovo itself, of whom 400,000 may be without shelter, in addition to more than 500,000 refusees in other countries.

According to the Pentatargets over the 22-day campaign have been units of the Yugoslav army and special

But aerial photographic evidence continues to show villages being burned. General Wesley Clark, Nato's supreme commander, and aircraft support faciliacknowledges that "you can-ties. not stop paramilitary murder on the ground with aeroplanes".

Nevertheless, military commanders say that damage to supply routes, command, control and communications installations, and stores of fuel, ammunition and military vehicles will steadily erode the ability of Serb forces to operate.

With the safety of its pilots in mind, Nato has devoted many attacks to an air most of the strategic reserve. defence system which it says is the most formidable in the region. More than 50 surface-to-air missile sites launchers, radar and com- [President Milosevic] is munications facilities - have

However, missiles are still being fired at Nato aircraft from mobile and hand-held

When our pilots go in,



Pentagon briefer.

More than half of Yugoslavia's 15 MiG-29 fighters with more than 40 hangars

Many airfields have been damaged. Nato has also attacked key headquarters sites, including two interior ministry buildings in the

The bulk of its raids now depleting Serb forces in Kosovo. Nato believes it has rendered Serbia's two oil refi- facilities on the ground. neries inoperable, and that the destruction of 11 fuel storage areas has eliminated ferred target set. it is high

According to Gen Clark, 70 slow". per cent of stores of petro- But leum, oil and lubricants scrambling to bring more fuel in. Units have been told in Kosovo to cease operations, to hold back,

conserve your fuel, get out

dangerous," said Major- destroyed, according to Maj-General Charles Wald, a Gen Wald, as well as 11 main bridges and four large ammunition storage areas.

Roads, fuel trucks, milihave been destroyed, along tary vehicle compounds, barracks, command and control facilities and communications sites are all being regularly attacked as the effort to isolate Serb forces in Kosovo

Gen Clark said that the Serb military was unable "to respond crisply and sharply", as it had previappear to be directed at ously. But it was harder to target the tanks, armoured vehicles and other Serb force For pilots, attacking individual tanks "is not the pre-

risk, it is difficult, and it is But Serb forces were moving into defensive positions have been destroyed. "He in some areas. "He [Mr Milosevic] is scrambling to remove critical assets from known locations, to hide,

conceal, to repair." According to Maj-Gen Wald: "Eventually, his fielded force is going to have Five industrial targets a hard time manoeuvring, they're going to treat it just producing "military-type doing anything much other like it was on day one, very equipment" have been than hunkering down".

#### Peace plan follows broad talks suspended were Belgrade's a transitional authority

greed period. yesterday said its Kosovo ovo Liberation Army would

peace plan, drawn up by Josehka Fischer, foreign minister, followed meetings over the past fortnight between German officials and Nato partners, Balkan countries and Russia. itary operations.

hour halt to Nato air strikes once the Yugoslav government gives a clear signal it is withdrawing its military and paramilitary forces from Kosovo. The ceasefire would be prolonged as required to allow for the full withdrawal of Yugoslav troops. Air

forces to pull out within an Simultaneously, the Kos-

agree to a ceasefire and would maintain positions until the arrival of an international peacekeeping force in Kosovo. At the point the KLA would decommission its weapons and disband mil-

The arrival of the full international peacekeeping force would be preceded by the deployment of a smaller. preliminary military force in Kosovo by countries contributing to the peacekeeping International observers

UN to govern the area "until a final political solution". Refugees would be allowed to return once Yugoslav forces started pulling out of The plan deliberately leaves vague under what

would be established by the

international auspices the peacekeepers would operate. Officials in Bonn said the

force could be organised by the Organisation for Security and Co-operation in Europe to allow Russian and Ukrainian participation. However, a German foreign ministry spokesman made clear the peacekeepers would almost certainly come

"We have to say that we have a great deal of interest in [EU] enlargement. The lesson from Yugoslavia is that peace can only exist if social and economic developments take place throughout Europe. We must not let up on efforts to continue

# UK's united front hides deep misgivings

PM faces critics from within his own party and from the self-proclaimed 'patriotic' opposition, writes Robert Peston

is turning into the con- fringe parliamentary attacks flict which breaks all the in the 1982 conflict with rules. Nato's air offensive Argentina over the Falkland UK's main political parties 1990 Gulf war. But parlia-

in unprecedented ways. Behind a broadly united front formed by the leaders of the parties, many ordinary members of the British parliament are hostile to the hombing campaign. This breaks a longstanding tradition that the legislature should rally behind a government when the lives of British servicemen are at

Meanwhile Tony Blair, the prime minister and leader of the Labour party, is behav-ing with all the crusading zeal of a Conservative premier in time of war. although lacking the poetic chill. He believes that his determination to fight is historically significant, saying that he represents a new generation of centre-left our private views are that leaders born long after the second world war.

Even so, it is surprising of him has come from Conservative members, while there have been more pre-Labour party's left wing. This is galling to the gov-

mentary voices raised be used only to defend Britagainst the Kosovo adventure have been many and whose pedigree can be

strident. The most interesting question is why the Conservatives, the self-proclaimed patriotic party, should have redefined themselves as peaceniks. "I would say that about 100 out of our 162 MPs are more or less opposed to the action," said a former Conservative minister.

It should be pointed out that the official position of the leadership of the party is plained that aircraft and to support the prime minister, albeit in a muted way. on their own and that prepa-"We can't be seen to be rations must be made for a boys are daily risking cally show a thinly disguised death," said a close col- streak of anti-Americanism. league of William Hague, Conservative leader. "But of British politics, similar the government acted in haste and will regret it."

reserve. Among the most vociferous critics have been Alan Clark, a military histo- 1970s. He has accused Nato dictable attacks from the rian and former Conserva- of "murdering" Serbs with tive defence minister, and Lord Carrington, foreign secernment, since its Conserva- retary during the Falklands tive predecessors faced only conflict. Mr Clark accused

UK "with a sustained bombardment of a brave and Christian people who have never injured or even threatened a British citizen".

that the UK military should ish interests. It is a view traced back more than a 100 years to Benjamin Disraeli. founder of the modern Conservative party. They believe that however appalling Mr Milosevic's offensive against Albanian Kosovars may be, Nato is encroaching into a civil war or the affairs of

another sovereign nation. However, this is by no means the only Tory qualm. Many of them have commissiles will never succeed land war. They also periodi-

And in one of those quirks prejudices colour many of the diatribes against Mr Blair from the left of his own Ordinary Conservative party. The leading Labour critic has been Tony Benn, the veteran left-winger who was a cabinet member in the no hope of bringing longterm peace and stability to the Balkans.

Another critique comes

Mr Blair of associating the from Robert Marshall-Andrews, a leading barrister and Labour MP, who disputes Mr Blair's description of the raids as humanitarian, "A true humanitarian approach This sums up the thinking would have been to keep out of a significant caucus of of the conflict, but to have vatives, to the effect provided generous financial including welcoming about 100,000 of them in the UK."

> he said. Meanwhile, Mr Blair is also isolated from the UK's self-defining intellectual community, an experience he never enjoys. A series of "new right" historians have joined forces with the playwright Harold Pinter, the academic Germaine Greer and other leftwing thinkers cratic countries not to accept to condemn Nato's action. while there has been no discernible movement of centreleft writers in support of the government

to the government but not devastating, since most of the media are strongly behind it. The tabloids, notably the influential Sun and Daily Mail, have been particularly helpful, with their began. graphic descriptions of Serbian atrocities and depiction of Mr Milosevic as "Slobba". Opinion polls show a majority of the UK public backs the Yugoslav campaign. But ministers are by no means taking public opinion for granted and remain anxious about what will happen to it when and if a UK

Such unease is unwelcome

# demands.

moral duty to intervene to prevent a campaign of ethnic had been carefully prepared long before Nato air strikes "In this conflict, nothing is

#### CONTRACTS & TENDERS

#### INVITATION FOR EXPRESSIONS OF INTEREST

intention to surrender their section 36 (2) a licence which was issued to the company on 2 June 1994 by British Coal Corporation. The licence will be surrendered on 9 July 1999.

The Coal Authority hereby advertises for expressions of interest in the mine. Firm expressions of interest from prospective operators must be received within 7 days (ie by 22 April). This date will not be extended, nor will any further advertisement appear. Any expression of interest will need to identify the nature of the proposal, company structure, together with the availability of expertise and

Expressions of interest must be delivered to:-

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SWEDEN

# Chernomyrdin selected as peace envoy

terday of Victor Chernomyrdin as his special envoy to bring peace to Yugoslavia is seen by many as a direct attack on Yevgeny Prima- Primakov took the

Mr Primakov, a former diplomat, had launched his Russian television to justify own high-profile peace initia- the actions of his tive by flying to Belgrade to government during its first meet the Yugoslav president six months in office, and to hortly after the start of Nato's airstrikes.

Announcing appointment of Mr His action came after Mr Yakushkhin, the president's dealt with the "key issue" pre-occupying Mr Yeltsin. The nomination is the

with Mr Primakov, and was speculation has continued President Boris Yeltsin yes- president's long-standing the most senior Communist practice of undermining top members of the cabinet. government officials whom he perceives as a threat. Last weekend,

> exceptional step appearing at short notice on reiterate that he had no ambitions to run for the president.

Chernomyrdin. Dmitri Yeltsin made an aggressive speech late last week in spokesman. pointedly which he said Mr Primakov stressed that the post was was "useful to us at this extremely important and stage" before adding, "later on, we will see".

In the last few weeks, Mr Yeltsin has held a number of administration and Mr being elected president.

The appointment by observers as following the reshuffle notably targeting from other parties.

There appears in particular to have been a warming of relations with Yuri Luzhkov, the mayor of Moscow who has made little secret of his presidential ambitions and until recently was calling for Mr Yeltsin's resignation as swiftly as possible.

Sergei Markov, head of the Institute of Political Studies, said that Mr Chernomyrdin wanted to keep good relations with Mr Primakov but that his nomination had turned him into "an institutionalised rival".

presidential

Russia, at a time when Mr strange" and showed that Yeltsin was losing support the Kremlin had "a shortage

important in the build-up to a vote on his impeachment now scheduled for mid May, as well as in any changes to the constitution that could weaken the presidential powers after parliamentary elections due in December. However, Our Home is Russia has been very considerably weakened since

government was sacked in spring last year in another mercurial gesture by Mr Yeltsin towards a potential rival Mikhail Berger, editor of

Chernomyrdin's

the "slimmest chance" of

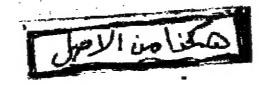
increasingly visible conflicts rival political figures as movement. Our Home is appointment was "very Serbia a year.

of people" from which it Alliances will prove could choose. Mr Chernomyrdin may

nonetheless prove a useful negotiator in Yugoslavia. given his international reputation built during five years as Russia's prime He also acted as an

intermediary for Mr Yeltsin this spring by holding talks with the International Monetary Fund in Washington ahead of its outline agreement to provide

His role as a long-time executive of Gazprom, the state gas monopoly, and a the daily newspaper candidate to be re-elected He said the appointment Sevodnya, argued that Mr to its board this summer, provided a bridge between Chernomyrdin now had only could also provide him with some leverage, since the The nomination is the renamined of administration and latest in a series of high-profile meetings with Chernomyrdin's political He added that his 2.6bn cubic metres of gas to



HOLOCAUST TALKS CAMPAIGNERS MAY DROP OPPOSITION TO BANK

# > Deutsche may clear barrier to merger

Deutsche Bank appears to have persuaded US Holocaust campaigners to drop their opposition to its acqui-sition of Bankers Trust as it enters a crucial conference on the issue today in New York, but it still faces class action lawsuits and threats of economic sanctions.

Alan Hevesi, the comptroller of New York city, who last year recommended that Deutsche's deal should not be allowed to proceed until it. had settled claims from Holocaust victims, will hold a conference on the issue today. Deutsche will be represented, as will the lawyers suing them, the German government, and the US State Department, which is trying to broker a deal.

Elan Steinberg, executive director of the New Yorkbased World Jewish Congress (WJC), said the organisation would recommend "a moratorium on sanctions against the German banks and industries for the next 60 days". He said the probibition on sanctions would

block the merger.

The merger requires regulatory clearances from the New York State Banking Department and from the Federal Reserve. Both would probably be needed with the next 60 days. Mr Steinberg said this was a "reflection on the progress that had been made" by the banks. Israel Singer, the WJC's secretarygeneral, will be meeting senior German government officials next week, as the attempt to agree a settle-

ment gains momentum. Last June, New York's Banking Department delayed its decision on the merger of UBS with Swiss Bank Corporation, which also faced claims from Holocaust survivors, until the WJC recommended that it

The Swiss banks subsequently reached a \$1.25bn settlement with Holocaust survivors, two weeks before a programme of sanctions by Mr Hevesi was due to begin. Mr Steinberg said: "It wasn't the merger threat which brought the Swiss banks to

include any attempts to the table but the threat of tions." Class action lawyers suing Deutsche and other German banks have clashed with the WJC over tactics in recent months. They have asked the Fed to take Deutsche's record on the Holocaust into account when

> The plaintiffs' lawyers also seem unlikely to make strenuous attempts to prevent the merger, indicating they are broadly confident that the current talks will lead to a However, other campaign-

ers on the issue made clear that they will continue the pressure on Deutsche and other German companies. Earlier this month, a new lawsuit was brought against

the banks by the Los Angeles-based Simon Wiesenthal Centre under Californian state law. Gray Davis, the Democrat who was elected last year as the state's governor, joined the lawsuit as a private citizen. The move was intended by



raised by lawyers, as well as the other firms that they focus on the government must move quickly and

tre, said: "Now that we have a true world economy, those of us involved in human rights are more empowered. campaigners to force the Our bope is that this will indicate to the banks and

Rabbi Abraham Cooper of the victims who are still the Simon Wiesenthal Cen- alive." He said Californian law made it easier for corporations to be held accountable for past unfair prac

# DaimlerChrysler denies competition breach

By Uta Hamischfeger to Frankfurt and

The shares DaimlerChrysler, the US-German carmaker, fell after it became known that the automotive group may have to pay stiff fines for breaching European Union competition laws.

The company confirmed that the EU had opened legal proceedings against it but said it was confident that it could refute all allegations.

The company has two months to answer European Commission allegations that it ordered dealers in Germany, Belgium, the Netherlands and Spain not to sell cars to consumers from breach of the single market.

A Commission spokesman said that between 1985 and 1996. DaimlerChrysler sent circulars to dealers telling them not to sell to foreigners from outside their territories. Dealers who did not follow the advice risked being charged extra fees for the cars sold. The company is also accused of trying to prevent competition between dealers in Germany for big

corporate cars and taxis.

If found culpable, Daimler-Chrysler faces a fine of up to ers not to sell to nonresidents." of 10 per cent of worldwide turnover. The size of the fine would depend on the gravity of Daimler's alleged misdemeanours as well as their

gen was fined €102m (\$110m) for similar offences, the biggest penalty imposed by the Commission on a company. Volkswagen challenged the fine in the European court; the outcome is still pending Under special competition rules that apply to the European car sector, manufacturers can sell their cars

duration. Last year Volkswa-

through exclusive networks of authorised dealers but cannot refuse to sell to individuals or companies acting on behalf of individuals who take advantage of the single market to shop around for the best prices.

Regular surveys by the Commission show that car prices vary by as much as 40 per cent between the 15 EU member states, in spite of

"We only just received the allegations and we cannot say anything precise regarding [them]," the company said. But we have always

orders, including fleets of worked together with the Commission in the certainty that we never advised deal-

The decision to open a formal case against Daimler-Chrysler caps a two-year Commission investigation, which included raids at the headquarters of Mercedes-Benz, now a member of the DaimlerChrysler group, in Stuttgart, Germany, and in subsidiaries in Belgium, the Netherlands and Spain.

Months before, the Commission also raided the premises of General Motor's Opel subsidiaries in the Netherlands, Belgium and Germany in relation to similar infringements. The spokesman said the Commission was still probing the case and would not say when a formal statement of objections might be sent. Opel yesterday confirmed that the Commission had raided one of its offices in the Netherlands in December 1996, but that the carmaker had not heard any-

DaimlerChrysler shares ended €1.70 down at €90.25.

Editorial Comment, Page 15; Lex Comment, Page 16

#### Sweden leaves room for tax cuts

By Nicholas George in Stockholm

The Swedish government left the door open for future tax cuts when it presented its spring budget yesterday but admitted it would struggle to meet its target of cutting "open unemployment". to 4 per cent by the end of

Describing the budget as one in which jobs were the most important theme, Bosse Ringholm, finance minister, presented government forecasts that showed "open unemployment" well above its own target, at 5.6 r cent in 2006. Total unem ployment, which includes those on government schemes, is significantly

On the question of tax cuts prompted the resignation of predecessor, Erik Asbrink, on Monday, Mr Ringholm followed the line set by Göran Persson, prime minister, by saying he was prepared to look at the issue.

Today there is no room for tax cuts before 2001 but if it transpires that there is room we are prepared to Reconstruction and Developreturn with a proposal in ment and the international this autumn's budget Finance Corporation, the round," Mr Ringholm said.

On the back of buoyant public finances and under pressure from a Social Democratic party weary of almost five years of financial austerity, most analysts expect cuts along the lines of the SKr15bn-SKr20bn (\$1.8bn-\$2.4bn) hinted at by Mr Persson.

The budget did include extentions of previously announced minor tax cuts for low and middle income earners but there were also moves to increase prescription medicine costs.

Katharine Hoyland, an economist with J.P. Morgan, said the budget was largely neutral with the extent of any fiscal easing being exaggerated for political reasons. She said Sweden had done

"phenomenal job" in cleaning up its public finances but now it was entering a period of stability in which the focus would slowly turn to tax cuts, probably to be announced this September. "It may not be the full SKr20bn, probably something half way," she

Mr Ringholm said the government retained its goal of improving the banks' loan 4 per cent "open unemployment" by the year 2000 although a weakening of the been criticised for its potenworld economy had made reaching the target more dif- it might slow rather than ficult. He unveiled grants to. encourage employers to hire out in industry. the long-term unemployed and said more job measures

would be taken if needed. At the height of its crisis in 1993, Sweden had a budget deficit of more than 12 per cent of gross domestic product. Yesterday, Mr Ringholm was able to predict a budget surplus of 1.8 per cent of GDP in 1999 and 2.1 in 2000. Consolidated public debt is forecast to drop to 67.6 per cent of GDP this year.

#### Bail-out of Czech groups agreed

The Czech government yesterday agreed a plan to take several struggling pristate control before selling them on to strategic inves

The initiative is in response to fears of a wave of, corporate, insolvencies, which could prolong the current recession and further weaken the banking sector. But it is also recognition of the failure of the privatisation programme in the early 1990s through issuing vouchers to the public.

Within a month: the Socia Democrat government will establish a development agency, led by a foreign adviser, which will take charge of loans made to up in 2000, the issue that to 30 selected companies by state-controlled banks.

The agency will take control of the indebted companies, typically through a debt-equity swap, then extend or guarantee new working capital and install professional managers who will prepare for the entry of a strategic investor.

The European Bank for investment arm of the World Bank, have already indicated they will consider participating in individual projects.

The plan is an attempt to remedy the deteriorating performance and increasing indebtedness of many privatised companies. The method of voucher privatisation left companies without strong majority owners who could inject new capital and push management to restructure, and instead allowed companies to drift and become reliant on soft bank loans.

The large state-controlled banks have already cut off credit to some big companies and are likely to become even stricter when they are privatised over the next

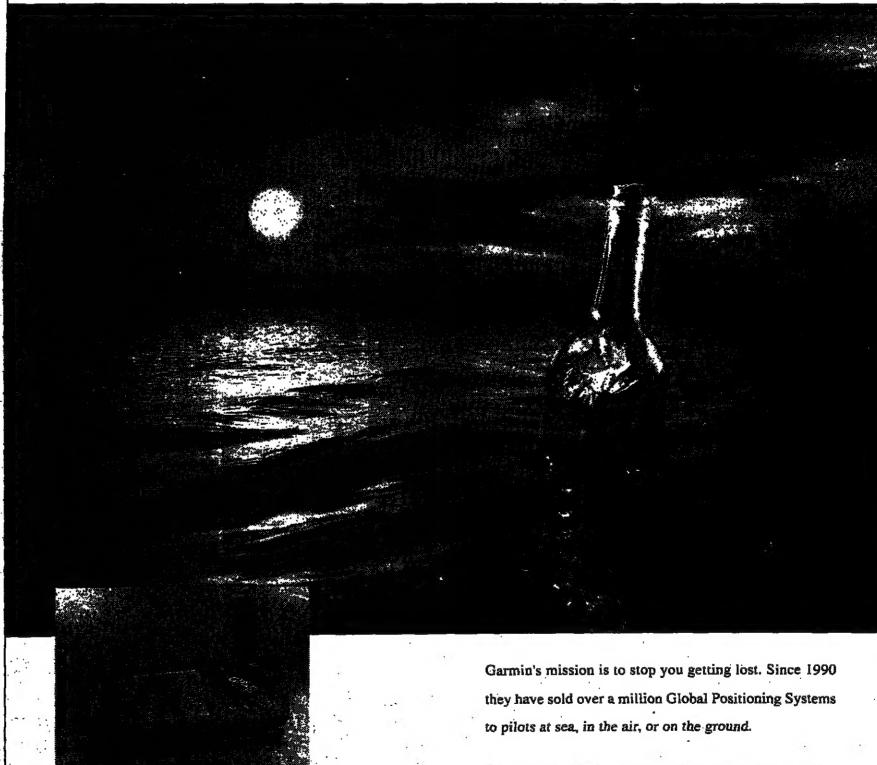
Chemapol, the chemicals conglomerate, was forced into insolvency by the banks in January, and several big engineering companies such as Skoda Pizen and CKD are also facing grave financial problems.

The government hopes its plan will stabilise the companies, accelerate restructuring and attract foreign investors, while at the same time portfolios ahead of privatisation. However, the plan has tial cost and for the risk that accelerate the current shake-

The plan has also been delayed because of a conflict between Pavel Mertlik, an economist appointed deputy premier for economic affairs. and Miroslav Gregr, industry minister and a former indus-

trialist. "The biggest mistake is that we have been discussing for half a year and doing nothing, said Kamil Janacek, chief economist of Komercni Banka, which will be closely involved in the

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VENEZUELA CRISIS PRESIDENT INSISTS POPULARLY-ELECTED ASSEMBLY SHOULD DISSOLVE BOTH CONGRESS AND SUPREME COURT

# Chávez pledges to abide by constitution

By Raymond Colitt in Caracas

Hugo Chávez, Venezuela's president, has pledged to abide by constitutional rule in his confrontation with Congress and the Supreme Court but insisted that a popularly-elected assembly that is to convene in July should dissolve both.

His assurances, in a nationally televised press conference, helped ease the

of recent days but held out in their own terrain." he decision on Tuesday that democratic and peaceful the prospects of a deeper. prolonged constitutional crisis in coming months.

Mr Chávez said he would resist calls to dissolve Congress or impose a state of emergency to obtain special powers enabling him to tackle the country's daunting economic challenges and implement state reform.

"We will win this battle against our enemies with their own laws with their immediate political tension own rules of the game, and

Hundreds of Chavez supporters continued their protest outside Congress yesterdemanding its dissolution.

Yet Mr Chavez insisted that a popularly-elected constituent assembly to be convened, pending a plebiscite eliminate not only the current constitution but also its

institutional powers. Despite a Supreme Court

implied the assembly did not nature of this far-reaching have such powers. Mr reform process. "For far less constituent assembly will have gone to a fraternal war decide [its own limitations] when it convenes".

He said all public institu- tor, calls his people to a reftions required new legiti erendum," he said in president vying for power response to accusations of

"The constituent assembly authoritarianism. later this month, should should dissolve Congress and - I add - the Supreme Court, to give birth to a new country

Mr Chavez insisted on the

"The president has simply postponed the crisis until Chavez insisted that "the than this, other countries July," says Luis Henrique Ball, a prominent business

> Then it will be the constituent assembly instead of the with the Supreme Court and Congress, he suggested.

Yet despite his pledge to "It confirms investors worst fears because it means remain within a democratic framework, investors are at least one year of ongoing concerned about the pros- political uncertainty," he pects of the return of a con-

# Democracy: a fragile plant in Latin America's political jungle

Banzer and Fujimori have revived fears of a fresh authoritarian trend, reports Richard Lapper, Latin America Editor

Venezuelan Congress and ignore the country's supreme court have provided a reminder that democracy is still fragile in many parts of Latin America.

Although elected politicians are in power everywhere in the region, democratic institutions and the rule of law are far from consolidated. Strongmen such as Mr Chávez retain their appeal in many countries.

Peru's President Alberto Fujimori, who dissolved Congress in 1992, is the most obvious example of a new authoritarian trend. But in the rule of law several other smaller and economically weaker countries old-style caudillos are popular. General Hugo Banzer, who led a military government in Bolivia in the 1970s, was voted back into office last year.

Paraguay's General Lino Oviedo, another populist hardman, would have almost certainly followed suit had he been allowed to run.

"Fujimori gave a lot of other Latin American leaders ideas...in 1992," says Elizabeth Joyce, an associate with the Madrid-based Institute for European-Latin American Relations (Irela). It is the same with

Underpinning the attrac-

ties, and in many countries a authoritarianism. collapse in faith in the legal

In the run up to Mr Fujimori's dissolution of Congress seven years ago, the traditional parties that dominated Peru's Congress systematically thwarted the new President's efforts to introduce economic reform and tackle a growing social

Democratic institutions and

are far from consolidated

President Chavez has clashed with Venezuela's Congress partly because he claims the majority traditional parties are not responding fast enough to the country's deep economic crisis. He has argued that the political and judicial system is riddled with inefficiency and corruption.

George Philip, reader in Latin American politics at the London School of Economics, argues that the

President Hugo Chávez's lusionment with established ezuelan institutions contributions to dissolve the political institutions and particle to the emergence of

In a recent Venezuelan noll. 48 per cent of respondents agreed that the country's Congress should be dissolved, while only 43 per cent are against such a

There was significant official lawlessness, a rigged political system, patronage and non-compliance with the Mr Philip. "The electorate felt that anything was better than that. I have never seen such a rejection of established political parties."

The old institutions were exhausted in Peru and Venezuela," says Ms Joyce. Confidence in institutions

is also at a low ebb in Colombia, where the influence of the drugs trade has contributed to the decline. Authoritarians have yet to gain the same political prominence - Harold Bedova, a former general who advocated a draconian crackdown on endemic political violence, won less than 2 per cent of the votes in last year's presidential elections Even so left-wing guerrillas and right-wing paramilitaries control large chunks of the country's territory.

The coudillos however, are not having matters all their evaporation of public confi- own way. Indeed in many tion is growing popular disil- dence in Peruvian and Ven- ways, Latin America has

Latin America's strongmen; are they making a comeback?



Led unsuccessful military coup in 1992

rcome opposition to economic plan

Elected president last year

Threatens state of emergency is

Threatens to dissolve Congress

suspend Paraguay from

membership of Mercosur.

the South American com-

mon market, if the army

the rule of law in the

southern cone contrasting

with the "illiberalisation" in

"What tyrant, what dicta-

Led military regime 1971-78 accused of numerous human rights abuses Elected president last year Record of his previous regime unde

increasing fire at home and abroad managed to break with its militaristic past.

In the southern cone of Argentina, Chile and Uruguay, as well as in Brazil. democracy has been consolidated since the end of military rule in the 1980s. These governments are

their neighbours and played an important part in defusing the recent tensions in Paraguay, when President Raul Cubas - an ally of Mr Oviedo - resigned.

intervened in the political crisis. Mr Philip talks about a "bifurcation" of Latin Amerexercising more pressure on ica with the strengthening of

many other countries. Even in the troubled Andes, there are many posi-Argentina, Brazil and Uru- tive signs. Ecuador's Presi-

ressures too jodges to resign guay warned they would dent Jamil Mahuad has pre ferred to negotiate with Congress about controversial economic austerity measures, rather than ignore or

Clased Congress and

by the president

Re-elected as overlident in 1995

circumvent opposition. In spite of the region's economic difficulties, the armed forces have so far avoided the temptation to intervene. "Twenty-five years ago the military would have come in. Now it can't because the Americans won't let it and because ordinary people want democracy, Mr Philip

Starr call

to scrap

special

counsel

statute

By Deborah McGregor in Washington

scrapped.

Kenneth Starr said

yesterday that the independent counsel statute that

empowered him should not

be renewed, adding an unexpected new voice to the growing chorus of those who

believe the law should be

In an often defensive pre-

sentation to Congress, Mr

Starr argued that the stat-

blame for a process that

often seemed to veer out of

control, beginning with the

investigation of a failed

Arkansas land deal and end-

ing up nearly sinking a pres-

He struck an "I was only

doing my job" stance 'to

tion of justice charges.

turally unsound", Mr Starr

said it tried to "cram:a

fourth branch of government

into our three-branch sys-

**NEWS DIGEST** 

EX-VICE PRESIDENT PLEDGES INTEGRITY

#### Quayle formally launches campaign for White House

Former vice-president Dan Quayle yesterday formally. launched his presidential campaign by pledging to restore integrity and responsibility to the White House in 2001.

"The time has come to reset the moral compass," Mr Quayle said. "We must not stand by and let our values be trashed." In his first bid for elective office since President Bill Clinton toppled the George Bush-Dan Quayle ticket six years ago, the former Indiana senator sought to attack Al-Gore - the potential Democratic nominee who succeeded Mr Quayle as vice president.

He derided Mr Gore for being the president's chief defender during the impeachment saga, accusing the pair of showing "contempt for the values parents try to teach

Mr Quayle also promoted his proposed 30 per cent across-the-board tax cut, billing it as a boon to middle-in-come families. And he portrayed himself as the best qualified potential commander-in-chief, recalling his participation in White House war councils and his service on foreign policy committees in the House and Senate. AP, Huntington, Indiana

#### RIFT OVER CORRUPTION ALLEGATIONS

#### Peru cabinet resigns

The Peruvian cabinet has resigned amid a rift over corruption allegations brought by Jorge Mufarech, the labour

minister, against customs officials. Just three months after a big ministerial reshuffle, the expected replacement of four cabinet ministers indicates that Alberto Fujimori, the president, has failed to find the right team to enhance his chances of re-election next year. Critics say his decision in January to include eight new ministers, who were mostly politically untried technocrats, has backfired. Mr Mufarech, an industrialist, triggered the rift with allegations against the customs authority, Sunad, and the private agencies that oversee Peruvian imports. Mr Mufarech denounced the lack of action against

gangs smuggling contraband into Peru and claimed there was a "family Mafia" working within the customs authority.

The allegations were challenged by leading members of Mr Fujimon's ruling Cambio 90-Nueva Mayoria alliance who called on Mr Mufarech to substantiate his allegations. Jane Holligan, Lima

#### **GROWTH BOOSTED BY STOCK BUILD-UP**

#### US business inventories rise

US businesses increased stocks of goods more vigorously than anticipated in February to meet strong demand, the Commerce Department reported yesterday. The value of total inventories at retailers, wholesalers and manufacturers increased 0.4 per cent to a seasonally adjusted

\$1,091bn after being unchanged in January. Wall Street economists forecast a 0.2 per cent rise in February inventories and implied first quarter economic growth was getting a boost from the goods build-up. Sales in February climbed 0.9 per cent to a seasonally

adjusted \$799.27bn, after a 0.2 per cent fall. Vehicle inventories rose in February by 1.4 per cent to \$94,78bn after a 0.6 per cent rise in January. Reuters, Washington

**US SAVINGS** 

#### \$300 tax credit plan

Millions of working Americans would be eligible for \$300 in tax credits to encourage savings in new personal investment accounts for retirement, under a Clinton administration plan announced yesterday.

An administration official said the long-awaited pla would provide an annual tax credit of \$300 for workers to invest in a personal savings account similar to the 401(k): plans that many businesses offer their workers. In addition, up to \$700 would be provided as a govern-

ment match to money workers save on their own. The plan is targeted at low and middle income workers and the government matching money for own savings would start to be phased out at household incomes around \$40,000. AP, Washington

# Fearful citizens buy guns for **Y2000** worst

ute, and not he. was to in New York

portion of the American public has more fundamental concerns about the approach of the year 2000 than whether their personal computer will still work on New Year's Day.

counter criticism that his While corporate America chance'." is spending millions to tackle the so-called Y2K investigation had been tainted by his Republican issue, gun dealers around roots and aggressive tactics of his prosecutors in pursuthe country are reporting a ing President Bill Clinton's sharp increase in sales, and affair with Monica Lewinsaying that concerned citizens are planning for the "A duly authorised federal

law enforcement investiga-Larry Hyatt, manager of Hyatt Gun Shop in Chartion came to be characterised as yet another political lotte, North Carolina, estigame," Mr Starr told the mates that his sales are up Senate governmental affairs more than 20 per cent since committee. "Law became the start of the year. Many of Mr Hyatt's cus-

politics by other means." Mr Starr's remarks came tomers are concerned that if as the Justice Department computer systems fail, was conducting its own power cuts could leave the inquiry into his four-year. emergency services too strained to be able to protect them. "The barbarians would come out quickly," he \$46m investigation, weighing any grounds for Mr Starr's His office is still pursuing

cases related to the original "A lot of the buyers are Whitewater land deal referspending \$700-\$800 a time. This is middle and upperral, though earlier this week his efforts suffered a setback middle class buying". when a federal jury acquit-Millennial self-preservated Susan McDougal, a lead-

tion has become a popular ing Whitewater figure loyal theme on gun-related interto the Clintons, on obstrucnet message boards, but some Wall Street analysts Declaring the independent are also taking the trend counsel statute to be: "struc-

seriously.

David Guthrie of Morgan Keegan said that some of the

Such figures may be exaggerated by the fact that Y2K fears have coincided with a A small but significant spate of litigation against US gun manufacturers.

Some gun-lovers are concerned that the courts could crack down on arms ownership, Mr Guthrie said. "They are thinking, Td better buy one while I've got the Ross Null, the manager of

a big Atlanta gun dealer called Candler's, said that panic buying was nothing new. Before the introduction of the 1994 Brady law, which restricted gun buying, he witnessed a surge in sales.

The Sporting Arms and Ammunition Manufacturers Institute said that reliable figures had yet to be compiled for this year's sales. "Obviously, there's a seg-

ment of the gun-owning public that's very concerned about the issue," a spokes man said, but the institute attributed much of the rise to the popularity of shooting

However, Mr Hyatt said that the strongest sales had been for the kind of reliable; weapons used by the police and military, rather than for hunting or collectors' guns.

His store would employ armed guards over the New Year in case power cuts caused the burglar alarms to: malfunction.

Mr Null was cautious about millennial alarmism: "I know a few people that are ready to go, but Hell, the dealers he monitored had doom and gloomers are reported sales increases of always going to be out

#### **Government of India (GOI) Ministry of Food Processing Industries** Privatisation of Modern Food Industries (India) Limited (MFIL)

This announcement is neither a prospectus nor an offer or invitation for sale to the public of shares, securities or debentures.

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Government of India (GOI), as a part of its disinvestment programme concerning various Government owned companies, wishes to sell up to 74% of the share capital of MFIL to a strategic investor, and to transfer operational control to manage the affairs of MFIL to such investor.

MFIL is engaged in the manufacture and marketing of bakery products like breads, buns and cakes and supplementary nutritional foods in India. With a capacity to manufacture around 268 million standard loaves of bread per annum, MFIL is the largest bread manufacturing company in India. MFIL currently operates 14 bread manufacturing facilities across India and has a countrywide distribution system. During the financial year ended 31st March 1998, MFIL had a turnover of Rs. 1815 million and as on 31st March 1998, had a

Companies and business organisations interested in participating in the privatisation of MFIL ("interested parties") may apply to either of the undermentioned persons for a Request for Qualification ("RFQ").

**Assistant Director** Global Corporate Finance ANZ Investment Bank Mercantile House 15, Kasturba Gandhi Marg, New Delhi-110 001, India. Tei: 91 11 375 5152, 372 1233 Fax: 91 11 372 1246, 372 1230 e-mail:pramod2@anz.com

Mark Patterson **Director & Head** Global Corporate Finance ANZ Investment Bank Minerva House, 7 Mountague Close London SE 1 9DH. UK Tel: 44 171 378 2902 Fax: 44 171 378 2909 e-mail: pattersm@anz.com

Sealed bids containing Expression of Interest (EOIs) must be submitted by interested parties, together with all information requested in the RFQ by no later than May 21st, 1999.

Companies/consortia which are qualified by the Ministry of Food Processing Industries ("Ministry"), GOI will subsequently be provided with a Bid Pack containing a Request for Proposals, an Information Memorandum, the previous 3 years' audited Annual Reports of MFIL and other information.

> Joint Secretary Ministry of Food Processing Industries Government of India

A brief profile of MFIL can be accessed at the site: www.nic.in/mofpi

This advertisement constitutes no form of commitment on the part of the Ministry other than to supply an RFO to interested parties which request for the same. Furthermore, this advertisement confers neither the right nor an expectation on any party to participate in the privatisation process. The Ministry reserves the right to withdraw from the process or any part thereof or to vary any of its terms at any time without giving any reason.

# Scientists combine in bid to crack gene code

T PLEDGES INTEGRITY

nally launches

or White House

MATTER ALLEGATIONS

BUTTEL FOR HITCH BUILDIN

1

147 1.4.

-7

1.30-7 2.7.7.

 $\lim_{n\to\infty} d(n) = \int_{\mathbb{R}^n} \chi_n^n d^n \frac{d^n}{d} d^n.$ 

The DNA of 40 people from around the world is to be to determine how infinitesimal modifications in the genetic code underlie the basic differences between

The two-year \$45m project, announced today, is a collaboration between academia and industry. It could have tremendous value for medicine, enabling doctors to "individualise" theraples by

The "genetic road map", which will be made freely available to researchers worldwide, is being funded by the Wellcome Trust, the UK-based research charity, and by 10 US and European pharmaceutical companies.

Unusually, pharmaceutical companies have agreed to of every human cell. work together by treating the genetic information as step in decoding DNA, the "pre-competitive" - data they can share with each which was discovered by

This is partly to sidestep any ethical or anti-trust the Human Genome Project, issues related to "owning" an international effort to the human blueprint. It also spell out the A, C, G and T

smaller biotechnology com- letters" - strung out in 3hn "mapped" in a global effort get to it. By combining their considerable muscle they hope to squash the opposition - or at least level the playing field.

"This sets a paradigm The DNA of any two going into the future of humans is normally 99.9 per co-operation between private organisations, public organi-sations and the govern-Holden, chairman of the conadapting them to fit a sortium. The information patient's unique genetic pro- would be "freely available to would be "freely available to all academic institutions,

large or small". cascade
The \$45m - of which Well- disease. come is putting up \$14m will fund researchers at five academic institutions to create a high-resolution map of the human genome, the complete set of genetic instructions contained in the DNA

double-helix structure of other and the world at large. James Watson and Francis Crick in 1958. It builds on

panies, such as Genset of pairs along every strand of France, may patent the DNA. But unlike that information before they can research, which will by next year produce a draft map of the archetypal human, the new consortium will concendifferent

cant identical. But about one. in every 1,000 nucleotides along the DNA strand are ment....without duplication different - instead of an A., of effort," said Arthur for example, there may be a Tora G. That could have no effect whatsoever, it might be implicated in eye or hair colour, or it could set off a cascade of events ending in

Single nucleotide polymorphisms (SNPs), as they are called, are also extremely effective genetic markers, like flashing lights along a strand of DNA. They should enable scientists to home in on areas of interest - espe-The project is the latest cially genes implicated in tep in decoding DNA, the specific diseases.

Ouble-helix structure of The consortium hopes to

create a "snip" map with nies will use the "snip" map 150,000 signposts. This would then be compared with DNA samples, say of a population group with asthma, in order not prevent companies from to see if they shared similar patenting an individual gene reflects their concerns that nucleotides - or "chemical genetic variations. One sci-

Science Photo Library on; left, and Crick pictured in 1953 with their model of the DNA molecule

entist says it is like laying a life science industry. standard ladder over another. as a method of identifying pharmaceutical company members, says drug compato search for genes and their function. Membership of the consortium, he said, would

- common practice in the

companies design drugs to combat sub-sets of diseases ter. Paul Herrling, head of that are today regarded as a research at Novartis, a Swiss single condition, such as Alzheimer's or cancer, he said. and one of the consortion. By unmasking the genetic underpinnings of a disease, rather than its mere symptoms, scientists should be able to target treatment more effectively.

Dr Herrling said knowledge of genetic predisposi- well be easier to go straight tion could revolutionise med- for the genetic root cause.

The map may also help caused by a combination of genetic and environmental factors, but it is not always

easy to identify - or modify

- the environment. The discovery that sellors who ate lemons did not contract scurvy was relatively straightforward, said Dr Herrling. But in many diseases, it was more difficult identify the particular "lemon" involved. It might **NEWS DIGEST** 

NIGERIA

#### Fears that army will doctor new constitution

Nigeria's main human rights groups yesterday expressed concern that the outgoing military government was planning to impose controls over the incoming civilian govern-

ment by doctoring a new constitution.

Six weeks before Olusegun Obasanio, the president elect, is due to take office, the military government of General Abdulsalami Abubakar has yet to publish the constitution which will determine the nature and tength of his rule. However, the Transition Monitoring Group, an umbrella organisation grouping more than 60 human rights groups, said yesterday there were strong indications that members of the Provisional Ruling Council Intended to include a clause limiting the president's ability to sack service chiefs. Clement Nwankwo, council chairman, said he had been informed that the clause would make it impossible for the head of state to remove service chiefs without the support of the army council on which they sit. Council members added that there were indications that a blanket amnesty for army officers involved in economic and political crimes during the past 15 years of military rule could also be included. William Walls, Lagos

jewish settlements

#### Increase in homes built

Peace Now, the Israell peace movement, said yesterday that building starts for Jewish settlements in the West Bank increased 105 per cent in 1998 compared to a 20 per cent decline in new housing starts within the Green Line, Israel's pre-1968 boundaries.

Peace Now said the figures, extrapolated from the Centrai Bureau of Statistics, refuted the claim by Benjamin Netanyahu, Israell prime minister, that the increase was a response to natural growth. It said about 9 per cent of all new housing was built in the settlements, compared to 4 per cent in 1997. Meanwhile, US diplomats would not confirm a report in Ha'Aretz, Israel's leading daily, which claimed that US satellites had identified 12 new settlements in the West Bank established since last October's Wye peace accord between Israel and the Palestinians. Judy Dempesy, Jerusalem

IRAN

#### Anti-aircraft missile tested

Iran yesterday successfully tested what it called an advanced anti-aircraft missile, Iranian state television reported. "It was fired this morning and it successfully hit and destroyed a mock enemy target," the television. quoted a military spokesman as saying. The television showed footage of the missile test, apparently carried out in a remote region. The military spokesman said the missile would satisfy fran's requirements for such medium and long-range weapons, Iran in July test-fired its mediumrange Shehab-3 missile, whose 1,300km range puts Israel

The US and Israel have repeatedly volced concern over Iran's missile capacity, urging Russia and China to stop any transfers of technology to the Islamic republic. Tehran denies receiving foreign help for its missile programme which it says is for deterrance. Reuters, Tehran

Allianz (III)

. NAZARETH DISPUTE PATRIARCHS TO CLOSE CHURCHES UNLESS GOVERNMENT INTERVENES

# Israel's Christians threaten church protest

By Judy Dempsey in Jerusalem

Israel's three Christian Patriarchs have threatened Paul II, damaging fragile to close all their churches in relations between Israel and Israel indefinitely if the the Vatican. Ariel Sharon, Israeli government fails to Israeli foreign minister, is to erupted in violence.

statement disclosed yester- as well as senior opposition plot of land on front of the millennium. Israel expects day by the Armenian, Greek politicians said Benjamin Church of the Armenian 2m pilgrims, twice as many

postponement of the first planned visit to the region next March by Pope John

rupted in violence. the Pope.

The threat, made in public But officials in Nazareth

election chances.

and Latin (Catholic) Patri- Netanyahu's government in Nazareth, Israel's largest as in 1996. archs in Jerusalem, could and his Likud party was Palestinian city in which disrupt next year's millen stalling on efforts to secure a Moslems make up 46 per the city have claimed the nium celebrations. compromise until after next cant of the 60,000 population. plot originally belonged to It could also lead to the month's parliamentary and . The remainder are Christian. the Wanf, the Moslem reli- ties clashed, ending decades

Since then, Islamists in

premierable elections.

The plot, expropriated gious trust After the Islamic of peaceful co-existence. In Likud activists and the after 1948 by the Israel Party won 10 of the city's 19 both cases, the police, ultra-Orthodox religious par-

At issue is the status of a modate pilgrims during the Nazareth, repeatedly to build the mosque. appealed to the courts to resolve the issue as tensions has threatened to impose an increased. Christmas and City officials said this would Easter celebrations ended in demoralise moderate Chrisplot originally belonged to violence after the communitian and Moslem communi-

ties have been trying to woo body which manages 98 per municipal elections, it little to stop the violence. Nazareth's Moslem vote to cent of all land in the counstepped up demands to To complicate matters, Mr

boost Mr Netanyahu's re- try, was handed over to Naz- reclaim the land and build a Jaraisy has been unable to areth's city council two large mosque on it - in front form a new local governresolve a religious dispute in visit the Vaticen this month Less than 5 per cent of all years ago. The intention was of the church ment, reluctant to give the Nazareth which has twice to discuss the dispute with Israeli Arab citizens voted to build a large square on Ramiz Jaraisy, the Chris-Islamic party certain posifor him in the 1996 election. Front of the church to accom- tian communist mayor of tions or meet their demands The Israeli government

between both communities administration on the city.

urful citizen guns for 000 worst



# Pakistan in tit-for-tat missile test

in Islamabad, Mark Nichelson in New Delhi, Stephen Fidler

Pakistan yesterday carried out a test of a long-range version of its Ghauri-II missile, offering a near-immediate response to India's test on Sunday of its own extended range and nuclearcapable Agni II missile.

Senior officials said the missile, an upgraded version of the Ghauri-I tested last year, was successfully fired from a test site 75km south of Islamabad at a target in the south west province of Baluchistan, a distance of 1.380km. Security analysts, could be increased to 2,300km if the payload were reduced from the tested 1,000kg, giving it the longest flight capability among Pakistan's arsenal of tested

nuclear-capable missiles. Though the matching missile tests, which followed the pattern of India and Pakistan's nuclear tests last year. will dismay western and other capitals afraid of a gathering South Asian arms race, India's reaction was muted. Both sides agreed at a prime ministerial summit in Lahore to give advance warning of any missile tests. these were duly given in each case, according to both

"We all knew that our neighbour would also test their defence capability after its neighbour and regional we tested ours," said George Fernandes. India's defence minister, Jaswant Singh, India's foreign minister, said there was "no arms race, no danger", adding that the test would not affect planned bilateral talks between the south Asian rivals in Delhi

test, about which it was response to the Indian test. informed a day in advance. Karl Inderfurth, assistant secretary of state for south 'We had hoped that Pakis- resolving disputes.

By Mure Dickle in Taipei

Taiwan is making final

services, the heart of the

island's communications

Telecommunications (DGT)

has drawn up draft rules for

ministerial approval this

line services to consortia

needed to take on a state-run

The regulator hopes to

end of December. It expects interest from newcomers

internet access and multime-

to resolve the issue of new-

article," said a DGT official.

dia applications.

infrastructure,

tan would not respond in a tit-for-tat fashion to India's missile test on Sunday. Both sides have said they want to meet their security requirements 'at the lowest possible levels'. We would now like to see concrete steps from both countries that they intend to

He said India bore a special responsibility for having been the first country to carry out a test. However, he expressed optimism about the dialogue between the two countries.

Further meetings should take place "with urgency" to build confidence that nuclear weapons would not be used, be said.

The Russian government

yesterday said news of

Pakistan's test was "received with alarm", while stressing that the visit of Nawaz Sharif, Pakistani prime minister, to Moscow would go ahead as planned next week. In a statement echoing its criticism of India's recent test launches, the Russian foreign ministry said: "We believe that the appearance of missiles with such a range on the sub-continent goes against the interests of nonproliferation and disarmament." The reports said Pakistan's missile programme would be raised as part of the discussions during the forthcoming visit.

Pakistani analysts said the missile test had finally demonstrated Pakistan's capability of hitting most cities deep in neighbouring India, rival, with whom it has

fought three wars. The Pakistani NNI news agency said that a first test was also planned today of the 800km-range Shaheen missile, but there was no official confirmation.

Yesterday's test followed growing pressure from The US expressed regret nationalists on Mr Sharif. yesterday over Pakistan's demanding an immediate The missile test came against a backdrop of recent

efforts by Pakistan and India Asia, told a Senate hearing: to continue their dialogue on Taiwan prepares to

open up telecoms T\$40bn (US\$1.2bn) in paid-in capital - a hurdle the regulator considers essential to preparations to break ensure they can challenge a Chunghwa Telecommunica- titan with assets totalling tions' monopoly on fixed-line about T\$400bn. The DGT - once part of last desperate act to cling on the monopoly it is now dismarket. However, important mantling - has also called to power. questions remain on how the for the limit on foreign direct and indirect owner-

The Directorate-General of ship of applicants to be loosened to 60 per cent from 20 per cent. The change is in line with Taiwan's applicaweek that will open fixed- tion to the World Trade Organisation, but requires instruments of power to with the deep pockets parliamentary approval. keep him where he is." Some potential contenders

company entrenched by may be disturbed by the DCT's decision not to limit the number of licences it will issue. "I don't think the approve applicants by the island is big enough to support perhaps more than two," said Dominic Grant of eager to wrest away some of local brokerage Primasia.

With the high initial investment required, newand to meet surging demand for broad-band services for comers are expected to take from seven to 10 years to break even. Some analysts However, the DGT has yet say the eventual size of the fixed-line market may be comers' access to essential with less services break into data Chunghwa fighting to retain communications.

as much control as possible. Chunghwa is a formidable "We've already put an infracompetitor, but its monopoly mindset could be an advanstructure sharing mandate in our regulations... tage for new players. Its Chunghwa opposes this share of the mobile telephony market has plunged Some potential applicants since the sector was opened are opposing a requirement a year ago, and some expect proposed by the DGT that they muster a minimum of innovative fixed-line rivals. I net, up by 80,000 since the

VERDICT UNLEASHES PROTESTS CONVICTION OF ABUSING POWER TO CONCEAL ALLEGED SEXUAL MISDEEDS

windows of the heavily

# Anwar is jailed for six years

By Sheila McNutty In Kuala Lumpur

Anwar Ibrahim, the sacked Malaysian deputy prime minister, was convicted yesterday of abusing his power to conceal alleged sexual misdeeds and sentenced to six years in prison.

The verdict provoked condemnation from the outside world and unleashed protests by thousands in the Malaysian capital. As the sentence was read

out, silence fell over the court's public gallery. crammed with relatives, supporters, diplomats and journalists. Mr Anwar's wife, Wan Azizah Wan Ismail, gasped "Oh, my God" and some of their six children

laced with eye-irritating smiled, gave them the Anwar retorted to journalchemicals to disperse dem- thumbs up and flexed his onstrators as scuffles broke arm to indicate the popular power unleashed by his trial. appeal. out with riot squads armed with rattan canes. Some protesters hurled rocks at police then-police chief. Through the darkened and others lit bonfires in the

ASIA-PACIFIC

guarded and locked courtbeaten and arrested. Each of the four counts room. Mr Anwar's supporters could be seen massing the court considered carried a maximum penalty of 14 and heard chanting reforyears in jail and a fine of masi (reform), rallying cry of attorney general, Mohtar M\$20,000 (US\$5,260). Mr the political backlash Abdullah, who led the prose-Anwar was sentenced to six against the administration of cution. "Why are you years on each count, to be Mahathir Mohamad. Malaysia's prime minister. -Die. served concurrently.

streets. A number were

Mahathir." others shouted. Mr Anwar, who had predicted he would get two to four years, gestured through the bars of the wooden pen, high-level political conspir- urgent and vital this country in which he was confined acy to prevent him challeng. needs reform." he continued. throughout the five-month ing Dr Mahathir's 18-year reading from a five-page, trial, for his family to regime. After the guilty ver- computer printed address Leave it."

Outside police fired water remain calm. Then he dict was pronounced. Mr ists: "As per instructions." His lawyers said they would

> Before sentencing, Mr Anwar won the right to make his own plea of mitigation and turned it into a political tirade against the administration, in spite of the objections of Judge Augustine Paul and the scared? Just listen for a few minutes," Mr Anwar said.

"Perhaps this is just a Mr Anwar insists the small sacrifice on my part to charges are part of a convince the people how

my conviction was according to the script written by the conspirators. It is not the court but the conspirators who are sending me to jail."

But Judge Paul insisted he alone had formulated the verdict: "It is from me, from within me." He said his 394page decision would be into account Mr Anwar's senior position and the gravity of the offences.

The judge rejected bail Anwar's lawyers attempted months he has already served count toward his sentence, but Mr Anwar told them: "Don't appeal that.

# Rise in Japanese bankrupt company

Japan's corporate bankruptcy debt climbed to a high of Y3,110bn (\$26bn) in March, fuelled by failures at large non-bank financial institutions before the end of the fiscal year, according to Tokyo Shoko Research.

Bankruptcy debt for the full year ending March 31 also grew to Y15,130bn. The continued high level of debt in bankrupt companies is particularly bad news for Japan's banks, which have struggled to clean up their balance sheets and dispose of non-performing loans in return for a Y7,450hn injection of public funds.

While the level of bankruptcy debt was up 92.2 per cent in March from the previous year, the number of bankruptcies fell for the fifth consecutive month. The number of cases dropped to 1,235, down 31.8 per cent from a year ago.

However, the number of very large bankruptcies those with debts exceeding Y10bn - climbed in March from 20 last year to 37 this year. Nippon Enterprise Development, a subsidiary of the failed Long Term Credit Bank, declared bad debts of Y510bn on March 31, according to Teikoku Data Bank. And Apollo Leasing, another non-bank financial institution with debts of Y500bn, went into special liquidation last month.

The number of bankruptcy cases for the fiscal year dropped 1.2 per cent to 17,272. This was better than mid-year projections of 20,000, because of a government loan guarantee programme which gave some relief to smaller companies, according to Tokyo Shoko.

Last November, the government launched a Y20,000bn scheme which provides companies with loans guaranteed by the Credit Guarantee Corporation, a state institution. It is expected that an additional Y10,000bn will be made available.

There are concerns that, in the absence of an economic recovery, the loan guarantee programme will serve only as a short-term fix that postpones additional bankruptperforming loans at commercial banks and the no-questions-asked policy of the government, these loans have a very high loss potential maybe as much as 20 per cent," said Chris Calderwood, chief economist at Jardine Fleming Securities.

In the first half of fiscal year 1998-99, Japan's 10 leading banks recovered only 22.5 per cent of their bad

Analysts question the long term benefits of the loan guarantee programme. "The credit guarantees might not be worth the cost," said Mr Calderwood. "They are not contributing any forward momentum to the economy and may be hampering its

# Anwar awakens Malaysians' political awareness

Sheila McNulty assesses the likely consequences of the trial and sentencing of Mahathir's once-favoured heir apparent

behind the sacked deputy prime minister. Anwar Ibrahim, yesterday, but the political consciousness that his police beating and controversial trial have awakened brought thousands of demonstrators into the streets.

Police fired round after round of water laced with eye-burning chemicals to disperse the crowds but they simply ran out of firing one. range and returned again to shout for the reform of the 18-year administration of Mahathir Mohamad, the prime minister.

They ripped up and hurled chunks of the cobblestone pavement at police, set bonfires in the streets, and broke the windows of a car of a private television station they accused of progovernment coverage. Riot police seized some protesters and hit them with batons until they bled.

Abdullah Ahmad Badawi. who succeeded Mr Anwar as deputy prime minister, appealed for calm and told the people to accept the High Court verdict.

But the outpouring of rage revealed just how much Dr Mahathir had miscalculated when he withdrew Mr in September as his ing "low morals". The widespread popularity Dr oping Malaysia and balancing the interests of its Malay, Chinese and Indian people for more than a decade has been superseded sians by what they see as a

Every dictator in history has, toward the end of his career, made inexplicable Muzaffar, a political scientist turned opposition politician. He is depending on the

Mr Anwar's conviction and sentencing to six years in prison prevents the 51year-old from posing a direct challenge to Dr Mahathir for

the next 11 years (the law

alaysia's prison doors bars him from running for clanked firmly shut office for five years after he emerges from jail). And there are another six charges pending against Mr Anwar.

political analysts believe could pose a substantive threat. And, after seeing what has happened to Mr Anwar, there does not appear to be anyone in the upper echelons of power who would dare try to mount

"It's an important development, but it's not closure, says K.S. Jomo, a political economist. "Things are still quite fluid."

Mr Anwar has managed to maintain a following for the seven months he has been behind bars and, although he is out of Dr Mahathir's way, the prime minister's support has continued to Political analysts sus-

pected what many viewed as a harsh sentence would bring still more Malaysians over to Mr Anwar's side.

Many supporters openly wept outside the courthouse. "Six years is no justice at all," said an eiderly woman wiping away her tears. "This is just one man's power. No can change things. I hope

The street demonstrations signalled the people had Malaysian reform movement, said the case had led Malaysians to question the

"Anwar's case was doomed. in the minds of many Malay- as the trial progressed," the group said, citing how charges had been amended to ease the burden of proof, defence evidence was deemed inadmissible, and the judge ruled that defence ses' testimony had to be submitted beforehand, forcing the defence to reveal its hand.

However, stressing his independence. High Court Judge Augustine Paul insisted he had reached the verdict of his own accord and to the best of his abili-

Reaction from foreign



countries ranged from that led to this verdict," left to hope Dr Mahathir will encouragement for Mr said Joe Lockhart, the soon step aside and a more Anwar by the Philippines to outright criticism by

politicians in Australia. Robin Cook, British foreign secretary, said Britain would be studying the case with its European Union partners: "We have concluded that aspects of the case give real cause for concern, in particular the relationship between the executive and the judiciary in

Malaysia." The US echoes that view. "There were serious flaws in the way they proceeded with this prosecution and we have communicated our concern with the prosecution and with the entire process White House spokesman

opposition must overcome incredible odds presented by its fragmentation to win the general election that must be held by April 2000 at the

Mr Anwar's wife, Wan Azizah Wan Ismail, has established her own party and is inviting all races to join in an unusual bid to unite the three ethnic groups that party lines.

If Malaysians cannot put aside their differences, then Mr Anwar's supporters are Amnesty International,

lenient administration might But, regardless of such release Mr Anwar early. Dr concerns. Dr Mahathir is Mahathir is 73, and, though firmly entrenched and the he has maintained his usual energetic schedule since the political crisis began, the prime minister is not as resilient as he used to be. He just emerged from the hospital after 10 days of treatment

for bronchitis. "The prison gates may have shut today on Anwar Ibrahim, but the public debate about human rights and political freedom that have long been divided along his case has generated in Malaysia cannot be so easily silenced," said the Londonbased human rights group,

by 2002.

# Internet use set to grow six-fold in India

India's growing base of internet subscribers could surge six-fold by the end of next year and levels of netbased commercial transactions more than double. according to a study by the National Association of Software and Service Companies, the industry lobby

More than 250,000 Indians are already connected to the

internet service providers to challenge the state monopoly last November, said the Nasscom survey. Commercial internet services were introduced to India in 1995 by VSNL, the state international telecoms provider, which held a net service

Nasscom, which represents more than 500 Indian software companies, esti-

government allowed private base could grow to 1.5m by the end of next year based on its estimates of pending demand, provided the government moves faster to establish their own international access gateways - still a VSNL preserve

More than 90 companies have taken ISP licences since last November's liberalisation, though only a small handful have begun services, including MTNL. another state telecoms oper-

the first private operator. Dewang Mehta, Nasscom president, says subscriber growth - and the fortunes of heavily on government agencies giving approvals for private players to set up international access independent

of VSNL. He said at least 15 new licencees sought such independent access, but that approvals had been delayed

ator, and Satyam Infoway. despite being permitted under the November liberalisation. The Nasscom survey esti-

mates that 78 per cent of pernew ISPs - will depend sonal computers sold last year in India were bought this figure could exceed 5m primarily for internet use, reckoning that more than 40 ISPs would be operating by the end of this year, perhaps five with their own international gateways. India has a PC base of 3m units.

The survey, conducted in

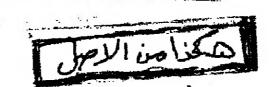
mates that the ratio of users to internet connections in India far exceeds global norms of 3-1, putting the current number of Indian users at 800,000. It believes

For the past financial year, the industry body puts the value of commercial transactions conducted by Indian companies over the net at just Rs120m (\$2.8m), but says this will rise to Rs300m in by government agencies, more than 40 cities, esti- the year ending next March.

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Rise in Japanese bankrupt company debt

TNANCIAL TIMES THURSDAY APRIL 15 1000

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At Sun, our systems and technologies power the Net.

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phones and pagers. And
soon out to wristwatches
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6

in India

IAVA

THURSDAY APRIL

"I am hage to flirt with

هكذاهن الاجل

FINANCIAL TIMES THURSDAY APPLIATION

That's what you are about to say to a wealthy Chinese client instead of, "I am happy to meet you." Disaster is averted thanks to something called e-services. Picture this: Just before your meeting, you switch on a pocket device that electronically sends out a request for a translating service. You specify your requirements. Language? Mandarin. Duration of meeting? Two hours. Price? Five dollars per minute. Your request is instantly and electronically bid out, brokered and selected. Moments later you and your translator (in some other part of the world, you have no idea) are good to go. And when you address your prospective client you, thankfully, refrain from inadvertently insulting him. What's going on here? Businesses and services are using the Internet in ways that are hard to even imagine today. Not as a series of electronic storefronts. Not as a collection of web-sites. But as a catalyst for the service-based economy. The next chapter of the Internet is about to be written. And it will have nothing to do with you working the Web. Instead, the Internet will work for you. www.hp.com/e-services

The next E. E-services.



# Top buyers in US spurn modified corn

Archer Daniels Midland, one concerns over transgenic of the biggest US agribusi- crops and the slow approval pesses and a leading corn process cost it \$200m in processor, yesterday said it would not buy or trade any potential corn exports. As recently as last month Richgenetically modified (GM) and Rominger, deputy secre-corn which had not been tary at the US Department of corn which had not been approved by the European Agriculture, was warning Union.

Agriculture, was warning that "since several US bio-ADM's statement follows a tech corn varieties remain

won't export any corn to the

The ADM/Staley stance attempts to ensure that all

corn and corn-related prod-

ucts from these companies

comply with European trade

discussed within the indus-

try over recent months, and

growers were warned that if

they bought non EU-ap-

should expect to have to sell

their crop into the domestic

The NCGA said it was not

surprised by the companies

move, but acknowledged

that this would limit outlets

Mr McFarlane added that

the association was advising

growers who had bought

unapproved seed and

believed they no longer had

a feasible outlet for their

produce to exchange that

seed for traditional varieties.

"Most of those growers,

though, have a domestic feed market in mind," he said.

feed market.

for corn.

The issue of how to handle

EU this year".

similar stance taken earlier unapproved in the EU, it's this week by A.E. Staley, the entirely possible that we US corn-processing subsidiary of Britain's Tate & Lyle, leading corn buyers in the US have decided to coldshoulder non EU-approved corn - at least for the time being - in an attempt to

News of ADM's position the European situation is believed to have been widely prompted concern in the Midwest grain belt. Scott McFarlane, National Corn Growers Association director with responsibility for indusproved GM cornseed they try relations, said he had been inundated with calls from farmers asking what they should do.

The issue arises because of EU concern over GM crops, and potential trade difficulties for anyone handling non-approved produce. Four varieties of GM corn grown in the US have been given approval, but another seven

up to 40 per cent of all corn grown in the US this year will come from GM seed, and that about 10 per cent could involve varieties not approved in Europe.

# US is urged to step in to kickstart Caspian gas project

Political action is needed for an agreement on a pipeline from Turkmenistan to Turkey, reports Robert Corzine

SG, the company promo-ting a controversial But it would no Last year alone, the US trans-Caspian natural details of a gas sales congas pipeline, is hoping the US government will orchestrate a meeting of the four countries involved as a way of kickstarting the \$2.5bn-

\$3.5bn project.

PSG, which is owned by Bechtel, the US construction group and GE Capital, says a ments of Turkmenistan, Azerbaijan, Georgia and Turkey is essential to meet a tight timetable that envisages financial closure within 18 months and a 2003

start-up date. "Getting all four countries in the same room would be a big milestone," says Edward Smith, PSG's president.

The aim is to reach "a consortium agreement" that would spell out the rights and obligations of the various governments. It would subsidies, but it is keen to secure polition with Gazprom if Bluestream does not materialise.

Mr Smith accepts that of oil fields in the Caspian "Turkmen gas is disadvantiaged," but says that will be co-operation between the

But it would not include problems over the disputed legal status of the Caspian tract to Turkey, according to

The trans-Caspian gas Mr Smith. project has provoked a The project, which has the political support of the US strong reaction from Iran, government, would ship gas which has an agreement from Turkmenistan to Turwith Turkmenistan to build key via the Caspian Sea. a gas pipeline to Turkey on Azerbaijan and Georgia. its territory.

Gazprom, Russia's biggest company and the world's ect as a key element of its strategy to underpin the gas producer, independence of the former recently launched a competing project - Bluestream -Soviet republics in the Caswhich involves shipping pian Sea region by opening large volumes of gas to Turan "energy export corridor that bypasses Russia and key via the world's deepest Iran, the two dominant subsea pipeline across the powers in the area. Mr Smith, who previously

Smith admits there V is insufficient Turkish demand to support both Bluestream and a trans-Caspian line. But he held out

price that the Ashkabad govgas for the Turkish market

Some industry observers have been sceptical about the prospects for a trans-Caspian gas pipeline, in part because of the distances

could enter a trans-Caspian

Although the first phase of the project would rely on gas produced in western Turkmenistan close to the Caspian Sea, the main Turkmen gas fields are 700km further away in the east of the coun-

and the Turkmens are ready to de-link the pipeline issue from the oil dispute."

He said Azerbaijan could also export gas through the "open access" pipeline. An added inducement would be a sharing of facilities, such as compression and pump. stations, with the proposed Baku-Ceyhan oil export pipe-

two on gas. "Both the Azeris

PSG's main problem, however, will be securing a "take or pay" gas sales contract with Turkey. Although Tur-key has indicated that it will pay for Turkmen gas, it has so far not signed a binding agreement that PGS and its banking advisers, CSFB. will need to raise finance.

"Bechtel and GE can't put money in the ground until a Another potential hurdle real take or pay contract is in place," says one senior and Georgia, the two transit countries. "There is always a executive at a leading international oil company active in the region.

A senior executive at another Casplan-oriented oil company believes the trans-Caspian project "now has a chance" of being built, given strong US political backing. although he thinks it is a case of "high politics and doubtful

# Oil pipeline to link Macedonia with Greek port

Penspan, the UK consultant engineers, are to carry out a technical study for a 230km oil pipeline between the northern Greek port of Thessaloniki and Skopje, capital of Macedonia.

Two Greek companies have agreed to finance construction of the pipeline as part of a \$150m investment package which includes the

acquisition of a majority stake in Okta, the Macedonian state-controlled oil refinery. The cost of the pipeline and storage terminals at each end is estimated at

ran the Caspian Pipeline

an oil export line from Kaz-

akhstan to the Russian

Black Sea coast, says PSG is

Consortium that is building

Hellenic Petroleum (HP), the state-controlled oil refining group, and Meton, a prithe pipeline, upgrade the to start later this year.

refinery and set up a chain of petrol stations in Macedonia. Meton will undertake construction of the pipeline and the storage terminals. "This project has a high

priority. There is no question of putting anything on hold because of the situation in Kosovo," an HP official vate Greek construction said. Penspen is due to group, have set up a joint deliver the study in June. venture to build and manage and construction is planned

The pipeline would have capacity to carry 2.5m tonnes a year of crude oil and petroleum products. Macedonia at present imports about 1m tonnes a year of oil and related products, which is shipped from Thessaloniki by rail. The pipeline would cut transport costs by more than 40 per cent and would provide secu-

rity of supply to the land-locked republic.

Okta, Macedonia's only refinery, has capacity of 4m tonnes a year, but produces less than 800,000 tonnes of oil products because of low venture is committed to investing about \$70m to renovate its Soviet-era equip-

ernment will receive: "Their

real objective is to get

investment into the coun-

is the attitude of Azerbaijan

emptation for transit coun-

tries to demand too much,"

Securing the co-operation of Azerbaijan could prove

particularly tricky, although

between Turkmenistan and

Azerbaijan over ownership

says Mr Smith.

The pipelins project would be the biggest investment to date in Macedonia, the poorest of the former Yugoslav flict.

Serbia, Kosovo and Albania, may be drawn into the conflict.

cross-border acquisitions. Macedonia has attracted little foreign direct investover its political stability.

As Nato's bombardment of Serbia continues, fears have grown that Macedonia, which has borders with Serbia, Kosovo and Albania,



#### US fears | UK internet on WTO entry by China

By Shilpa Mohan in Washington

US textile representatives yesterday expressed concern that their interests might suffer when talks between Washington and Beijing resume at the end of the month over China's accession to the World Trade

rganisation. In a briefing this week, Charlene Barshefsky, US trade representative, indicated that the US was prepared to give up its demand for a 10-year phase out of China's textile quotas when China joins the

On Tuesday, Ms Barshefsky was questioned by the Senate finance committee about the failure of the US to complete a WTO market access pact with China during the visit of Chinese Premier Zhu Rongji to Washington last week.

Later in the day, President Bill Clinton called Mr Zhu in New York, and the two issued a statement saying that both sides had agreed to "move intensively" to complete talks in Beijing.

During the finance committee hearing, Senator Phil Gramm, a Texas Republican, accused the administration of pushing "raw, rotten pro-tectionism" when it tried to make China extend its textile quota for five years lon-

# record sales venture likely

Independent companies in the UK are considering plans to launch their own internet sales venture, to exploit the potential of the fast-growing digital music market. The Association of Inde-

pendent Music (AIM), an organisation which represents such UK independent labels as Beggars' Banquet, Creation and Gut, is in talks with software developers. media groups and internet service providers about setting up such a service.

Alison Wenham, AlM's chief executive, stressed that the venture was still "at an sarly stage of development". However, she said that it was seen as a useful vehicle to help independent record labels to speed their expan-sion into digital music distributton

The UK's independent record companies are formulating their online sales plan at a time when similar businesses in other consumer product sectors are also considering joining forces to sell over the internet and other

digital networks. A group of independent US booksellers recently unveiled proposals to introduce a jointly-owned retail

and powerful online retail- own sites.

the backdrop of a rapid rise in the cost of developing and

Music, like bookselling, is one of the most active product sectors in terms of the level of investment in digital

The online music market development, but is expected to show strong growth once consumers start purchasing digital versions of recordings by downloading them on to

their computers. The multinational music groups are already preparing to start digital downloading by participating in a pilot project, code-named the Madison Project, to be run by IBM in San Diego, Calif-

ornia, this summer. Last week, the music subsidiaries of Germany's Bertelsmann and Seagram of Canada announced proposals to launch GetMusic, a jointly-operated internet retail site. Sony of Japan and the UK's EMI Group are also in talks over online collabora-

AIM sees its online sales venture as a way of helping independent labels to keep pace with the multination-

It has already registered indiemusic.com as the name Such initiatives are meant of a jointly-operated internet to help independents stay site, from which consumers competitive against their could purchase recordings, ger than allowed under WTO larger multinational rivals or seek links to the labels

# 'Final' deadline for WTO chief slips to end of month

Amid recriminations and frustration, World Trade Organisation members yesterday set a "final" deadline for choosing a new directorgeneral of April 30, the last sensus," an official said day in office for Renato Ruggiero of Italy. As yesterday's deadline

came and went, supporters of Thailand's Supachai Panitchpakdi and Mike Moore of New Zealand blamed the others' intransigence for the Supachai again claimed their candidate enjoyed a commanding lead but was being blocked by the US, which favours Mr Moore.

Malaysta said its calculations suggested that 65 per cent of the organisation's 184 members supported Mr Supachai. It criticised "anonymous objections"

By Frances Williams in Geneva consensus-based procedures.

However, US officials later rejected the accusation, saying it was "neither helpful nor true". "Like every other

> Washington has consistently denied any intention to veto Mr Supachai, Thailand's deputy prime minister and a former banker and

member, we are working

hard to reach a genuine con-

Mr Ruggiero, 69, who insisted from the start that delay. Supporters of Mr. he would leave as planned when his four-year term expired, yesterday urged WTO members to ensure that a new director-general was in position on May 1.

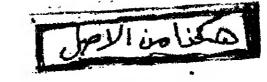
"No interim solution or postponement can be justified," he said, noting that his successor would have the difficult task of preparing for ence in Seattle in November. Yemen.

new trade round.

Ali Mchumo, Tanzanian chairman of the general council, said he had proposed that one or two of the three current deputy directors-general be asked to stay on for a time beyond April 30, when their terms also expire, to assist the new director-general.

In his valedictory address to WTO members, Mr Ruggiero praised the organisation's achievements since its creation in 1995. However, he said it needed to be part of a broader strategy for managing globalisation. including a new forum for world leaders from the north and south

 WTO members yesterday agreed to set up a working party to establish membership terms for Lebanon, and the next ministerial confer-



#### By Kevin Brown and Sheila Jones

Many workers who thought they would receive a pay rise when the national minimum wage was implemented on April 1 are no better off because companies are finding ways of getting round the law or cushioning the

Union officials and employment experts say the minimum wage - £3.60

(\$5.79) an hour for adults is being avoided by many smaller companies, mainly where there is little or no union activity.

Some of the manoeuvring is clearly illegal. Union officials say they are planning court action against one small textile company that has altered workers' wage packets to £3.60 but still

Other companies are allegedly using "ghost workers"

wages, making "arrangements" about recorded hours

charges such as fees for cleaning work clothes. Some companies have taken entirely legal actions that avoid an increase in wage costs. North West Water, part of United Utilities, has asked for the hours

paid in cash, consolidating England to be cut because it much cleaning and where bonuses to boost basic had not budgeted for the

The company said cleanand imposing off-setting ers' hourly rates had gone up in line with the new rates, but its budget for the contracts was the same this

year as in 1998. "We asked InDepth, our cleaning contractor, to cut the hours because of that," North West Water said. "We of contract cleaners at its reviewed the sites to identify

the hours could be reduced. It will be under constant review to see if it needs to go back up again. InDepth were happy about it and apperently the cleaners were

happy too. But union officials say some InDepth cleaners have approached them for advice on whether they have grounds for a claim against their employer under the head office in north-west areas that did not need as minimum wage legislation.

eral unions say helplines calls from workers in lowwage industries.

Many have been from nonunionised workers seeking advice on whether employ ers' actions were legal. "They seem to be using all their imaginative powers to keep wages down," said Dave McCall, a T & G official

in north-west England. Employment lawyers say

The GMB and T&G gen- deliberate breaches can be prosecuted under the criminal law, punishable by a fine of 25,000.

Stephen Alambritis, parliamentary officer of the Federation of Small Businesses said most small companies were observing the law, but some were finding it difficult to survive. "We would urge their bank and business advisers to find the best way

# By Robert Taylor, Employment Editor

On average there were

This contrasts with losses in Sweden; 201 working days, in Italy: 253 working days indays in Australia.

strike-day losses were less in the US (54 working days per. (three working days), Austria (four working days) and Switzerland (only one working day). France and Ger-. many are not included in the-1988-1997 data because their statistics are not available for the whole period.

during the 1990s. In 1997, only 10 working days were not worked per 1,000 amploycountry. They were betterworking days), the US (38

Ireland (69 working days). with some caution.

But if restrictions were to

# **Open market to** 'grey' imports, say car traders

By John Britishs in London

Independent motor traders vesterday called for the UK car market to be opened to "grey" imports - products diverted from lower price markets to be resold in high

The traders submitted evidence to a committee of MPs to show that they can sell cars and motorcycles at up to 35 per cent less than franchised dealers and still make adequate profits.

The British Independent Motor Trade Association was appearing before a trade and industry select committee inquiry into trademark pro-

tection and competition. Jack Glover, chairman of the association, said the government should put into place new laws it had previously proposed which would lift numerical restrictions on cheap grey car imports from outside the European Union. The new laws would allow cars in, provided they met a special vehicle approval test to ensure they could safely

be used on KU roads. Such cars, sourced mainly from Japan but including European-produced as well as Japanese brands, are currently restricted to 50 units of any one model per year.

are estimated to account for about 20,000 of some 100,000 cars expected to be imported this year by individuals and independent traders. Most of the other 80,000 cars are new and comprise "parallel" imports, bought from franchised dealers in other EU states.

Christopher Macgowan, chief executive of the Retail Motor Industry Federation, which also gave evidence to the committee acknowledged that the number of grey imports could lesp to 500,000 a year if Dr Reid's proposals were enacted. The proposals are at the consultation stage.

> with a final decision expected in two to three months. Opening up the market to grey imports would restrict the freedom of car makers and their franchised dealers to charge "rip-off" prices and, as a result, give consumers a fairer deal, said the association.

In its evidence, the federation argued that only individuals, not traders, should be allowed to import such vehicles.

be lifted, consumers should be made more aware of the cars' origins and that service and repair difficulties might



The UK, once regarded as a strike-prone country, is now one of the least militant inthe industrialised world, according to the latest com-parison of labour conflict statistics published today by. the government's Office for National Statistics

only 62 working days not, worked per 1,000 employees in all UK industries and ser-, vices because of disputes-between 1988 and 1997. Iceland's strike statistics were. the worst (479 working days) not worked per 1,000 employ-ees), followed by Spain (469, working days) and Greece' (327 working days).

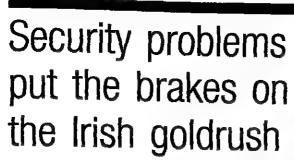
of 80 working days per 1,000 Canada and 150 working

Over the same period i,000 employees); Japan·

UK working day losses per year have fallen significantly ees, one of the smallest number of any industrialised. than figures for Denmark (41 working days), New Zesland (18 working days) and

The Office for National Statistics says the comparative data must be treated

However, the general picture indicates that the strike has become increasingly rare in western industrialised societies since the



Restrictions on the use of explosives prevent a promising mine going into full production. John Murray Brown reports

Sticular interest in seeing far. But if I get a fair price progress in this week's and the money is right I'll be Northern Ireland peace talks. His hill farm in the Sperrin mountains - in a staunchly republican area of County Tyrone, in the west what prospectors believe is one of Europe's best small

Mr Brogan could be in the money already, if not for tions on the use of explosives that have prevented Ennex International – a minerals company based in the Dublin, capital of the Irish Republic - from bringing the mine into production.

scraping a living on his impact of violence on busisheep farm, inherited from his father, thanks to generous European subsidies and what he earns laying con-

Precious metals in the UK the developer pays a royalty. This might present problems in such an area. "Ab. now

eán Brogan has a par- "Look we've sold nothing so happy."

Exploration at the Curraghinalt site, near the village of Gortin, was started in the mid-1980s. Ennex estiof the region - is sitting on mates the mine contains 250,000 ounces of gold at about 17 grams per tonne high-grade ore by European standards. The gold price has dropped and it now sells Northern Ireland's restric- at about \$300 an ounce, compared with \$500 when the company acquired the licence. Ennex estimates the price would have to reach

But security concerns are nine into production. the main obstacle, a But he is biding his time, reminder of the direct ness in the region.

\$400 to make it viable.

Ennex is reductant to go into detail. But it appears the authorities said explosives could be kept on site only if guarded by police are owned by the Crown and and in such remote areas the police do not operate without army back-up. Ennex's concern was that its site could become a target for with me," says Mr Brogan. the Irish Republican Army



Seán Brogen: 'Ah, now you're

simply because of the security presence. would be different from that of a quarrying company. Mining requires a constant

sives to clear the way. We're a small exploration

company with no revenues. We've put \$8m into this mine with zero return. But if the gold price was right we could be in production in less than two years," says Mr Coyle, adding that the knock-on employment effects would be consider-

Ireland to Aberdeen in Scot-

land. Because of the struc-

ture of the deposit - a nar-

row oft quartz vein of

gold-enriched rock - the

plan was to drill a tunnel

into the hillside, using explo-

after fish stocks in the Sper-But Mr Winters worries that opposition to the Ennex plan will be more muted. He complains that a number of locals have been "sucked in" by being persuaded to buy

crafts and transport. You

have to remember that min-

ing companies, unlike other

Ed Winters, a local envi-

companies, cannot choose

ronmentalist, explains that

when planning permission

was sought for a nearby

open-cast mine, initially

developed by Rio Tinto Zinc.

it was at first opposed by all

members of the local Omagh

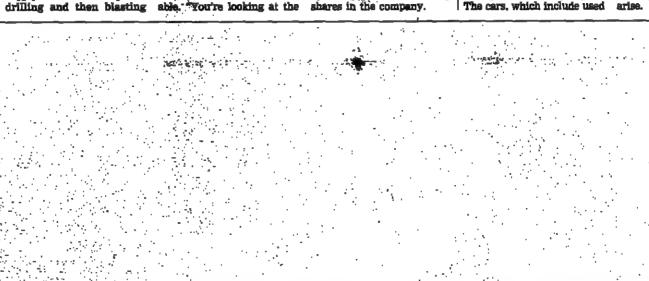
council, by Nestlé, the big-

gest employer in the area,

and by the Foyle Fisheries

Commission, which looks

where they want to go."



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FINANCIAL TIMES No FT, no comment.

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**ECONOMY** MERRILL LYNCH REPORT SAYS 83% EXPECT IMPROVEMENT

# Fund managers 'more optimistic'

By Jame Martinson, investment Correspondent

sharp reversal in economic sentiment has ended fears of recession among UK fund managers. according to a survey commissioned by Merrill Lynch, the US investment bank, published yesterday.

Some 83 per cent of fund managers expect the economy to improve over the next 12 months compared with just 3 per cent in Sep-

Trevor Greetham, global strategist at Merrill Lynch,

lowing central bank rate cent cuts. But the U-turn in the UK was particularly marked. "Sentiment has improved exponentially in the UK where the graph is V-shaped," he said.

He credited the reversal largely to the speed with which the Bank of England, the UK central bank, cut interest rates, "They acted much faster than most people expected," he said. The survey was carried

bank cut base rates for the sixth time in seven months and the European Central wide were more optimistic Bank cut its short-term rate

about global economies fol- by half a point to 2.5 per ted to increase by an aver- UK economy to grow by 1.1

The survey of 75 big UK based institutional investors with total assets of £1.253bn (\$2,017bn) follows other UK surveys showing a marked upturn in consumer confi-

The report, conducted by Gallup, the market the number of fund managers in the UK expecting corporate profits to increase over the next 12 months outnumbered those expecting them to fall for the first time since last year's stock mar-

ket turmoil. Earnings in 1999 are expec-

estimated 0.8 per cent in cent next. January. Managers expect

echoed globally in a survey that questions managers with total assets of \$8,103bn. Managers in Europe, Asia researcher, also found that and South Africa all expect inflation to rise and earnings to increase sharply.

US managers are only slightly less bullish after strong growth last year. Managers are more bullish about commodities and

emerging markets. Fund managers expect the

age of 4 per cent, up from an per cent this year and 2 per

Some 56 per cent believed 7.1 per cent growth next the outlook for corporate profits is favourable compared with just 22 per cent who thought it was favourable in February.

Mr Greetham said last year's turmoil after the Russian debt default had apparently been erased from the collective memory. "What a difference six months can

Economic optimism is now surging in Europe, the UK, Asia and Africa, 1999 may turn out to be a surprisingly strong year," he said.

ECONOMY REPORT SAYS STERLING WILL DEPRECIATE BUT NOT ENOUGH TO PREVENT MANUFACTURING RECESSION

# Unemployment forecast to rise this year

y (consider all of a

The UK economy will avoid recession this year but at significant cost to output and employment, according to a report today.

Growth will be less than that predicted by the government and unemployment will rise, according to Bustness Strategies, the ecoconsultancy. North-east England and Scotland will be hardest hit.

The continued resilience of sterling, which has eroded manufacturers' profitability itive overseas, is unlikely to continue. But the depreciation in the pound will come facturing recession in 1999.

Household Income and spending Annual % chance



Business Strategies, predicts the economy will experience growth of 0.8 per cent this year, slightly more than it has forecast previously

output growth of 2.8 per cent Continued strength in perts of the service sector. and especially transport and

by 2.8 per cent this year.

Increased government spending, which is expected to boost the contribution to GDP growth from government consumption to 0.6 per cent, will add to overall

prediction that the economy will grow by 1-1.5 per cent this year. It is broadly consistent with the latest batch of independent forecasts compiled by the Treasury, published yesterday, which anticipate growth of 0.7 per

The report says consumer

offset the drag on growth although the personal sector from a weak manufacturing is likely to remain weak for sector. Manufacturing out- some time as the labour put is expected to contract market eases and jobs are

> income is lower than in the late 1980s, just ahead of the But growth in household spending and income will

slow sharply, The forecast is more pessinistic than the Treasury's fies pressure on employers to cut costs, unemployment will rise, increasing from 1.31m to 1.57m by the end of the year. Manufacturing is

> bulk of the job losses. The deterioration in the jobs market will take its toll on consumer confidence. which has rebounded in recent months.

# communications, is likely to finances are healthy,

WE CAN TRACE OUR LINEAGE TO A COTTAGE IN THE COTSWOLDS.

This is the Georgian family home, lovingly rebuilt by Martin Bath. When Martin isn't restoring the past, he's belping Smiths Industries to create the future. He was part of the team that developed ELMS - the revolutionary Electrical Load Management System that helps airplanes to use electrical power more efficiently. It's a system you'll find on board every Boeing 777.

Boeing has been working with European experts like Martin and their companies for 30 years. For one simple reason: we want to work with people who are best at what they do. Of course, building an airplane is a massive enterprise. It takes teamwork on a grand scale. Many individuals, many companies, many countries. But working together, we can do almost anything.

BOEING

#### Plan for 'constraint' on Scots parliament attacked

Political Correspondent

administrations of Scotland, Wales and Northern Ireland will have to channel contact with other countries through the Foreign Office in London, because of UK govern-ment officials' fears the new bodies could disrupt UK

The Scottish National party, which is challenging Labour for control of the Scottish parliament in the May 6 election, yesterday attacked the proposal and claimed it defeated the point of the assemblies.

The new administrations will have an important role in trade promotion and attracting inward investment. The UK government will retain responsibility for international relations after the establishment of the Household debt relative to assemblies but they were expected to be free to lobby overseas governments.

Senior officials are concerned that the administrations could unwittingly incur international treaty oblications. One London official said the Foreign Office would advise the administrations on the timing of approaches to overseas governments to ensure lobbying expected to account for the did not put other UK trade opportunities at risk.

"If a Scottish minister wants to press a particular country to reduce its duty on spirits, we would want that to be co-ordinated through the Foreign Office to make sure it's not cutting across having," he said.

John Swinney, SNP deputy leader, said the plan would wrongly constrain the Scottish parliament at a time when Scots wanted to establish positive relationships with other countries.

UK ministers will lead negotiations in the European Union, giving Scottish, Welsh and Northern Irish ministers limited influence in key EU councils.

The arrangement may lead to tension between the idministrations and the UK government because they are likely to have different views on issues such as agriculture and European Union aid. The SNP manifesto for the May 6 poll says it wants the UK to allow Scottish ministers to lead negotiations on EU fisheries policy.

The administrations will consulted in advance of If there is no agreement, the planned joint ministerial

NEWS DIGEST

which break

very taboo

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GOVERNMENT RESEARCH BODIES

#### Way cleared for private sector joint ventures

Government research establishments are to be allowed to : form equity joint ventures with the private sector under a -scheme that ministers believe will make it easier for them to exploit intellectual property and tap overseas markets. Barbara Roche, a senior Treasury minister, said links with university research were advanced but government agencies had not been fully taking advantage of their potential.

The initiative covers about 20 public sector bodies operating on a quasi-commercial basis under the 1973 Trading Funds act. These include the Defence Evaluation and Research Agency, Ordnance Survey and the Meteorological Office, it was believed that the legislation prevented such trading funds from entering into equity joint ventures. But the Treasury has received fresh legal advice clearing the way for the formation of joint ventures under guidelines published yesterday. A number of trading funds already have plans and are awaiting the legal clarification. The Hydrographic Office wants to form an international consortium to develop mapping products and the Forensic Science Service is looking at joint ventures on reagents for testing DNA. David Wighton, London

SHIPBUILDING

#### Cunard 'superliner' planned

Cunard, the shipping line, is planning another "superliner", it was disclosed yesterday. The new vessel – which might be called the Queen Victoria – could be built by 2005, Larry Pimentel, Cunard president, said. The group has already announced plans for a similar ship to be named Queen Mary and a decision on which European yard will build it is expected this summer. Mr Pimentel announced the new project at the 30th birthday party for the QE2 at Southamoton, on the English south coast, yesterday. Tomorrow Mr Pimentel will meet John Prescott, deputy prime minister, to discuss whether the Queen Mary project

sel will sell under the British flag.

KVAERNER

#### Redundancy notices issued

Kyaemer Govan, the Scottish shipyard which has been put up for sale by its Anglo-Norwegian owner, yesterday asued 250 redundancy notices. The procedure will trigger consultations between Kvaerner Govan and trade unions and will enable the company to shed some staff in three months if the company wins no more work. Kvæmer Govan has about 850 workers and 350 contract employees. It expects to run out of work in about two months when contracts are completed. Kvaemer, which on Tuesday said it was seiling its 13 shipyards in Europe and the US, issued 750 redundancy notices at three other yards -Mandal and Klaven, in Norway, and Viborg, in Finland. Yesterday the four-man taskforce charged by the gov-

emment with helping the company find a buyer for Kvaer-ner Govan, in the city of Glasgow, held its first meeting. It a headed by Sir Gavin Laird, the former trade union leader. James Buxton, Edinburgh

RAIL INDUSTRY

#### **Watchdog to take tough line**

Sir Alastair Morton, former chairman of Eurotunnel and new rall industry watchdog, will today signal to the rall industry that he has all the powers needed to deliver his vision of an integrated railway system. The head of the shadow Strategic Rail Authority is expected to tell a London audience that any investment plans must be co-ordinated through him. Sir Alastair will deny claims he has no SRA statutory powers. Sir Alastair - who has formed a strong working relationship with John Prescott, the deput prime minister and chief transport minister - believes a combination of existing powers, influence and leverage w be enough to force the changes he wants. Sir Alastair was a critic of the fragmentation created by privatisation and is keen to build support for the regeneration of a public service. Susanna Voyle, London

#### CONTRACTS & TENDERS

#### REPUBLIC OF CAPE VERDE

Announcement of Privatisation By International Public Tender of State Owned Financial Sector Institutions

The Unidade de Coordenação do Projecto de Privatização e Regulação Institucional (privatization Unit) of the Republic of Cape Verde, in accordance with the Law on Privatization of the Republic of Cape Verde, Decree Law 70/98 and Resolution 74/98 of 31st December, 1998, announces the sale, by international public tender, of state owned shares in three (3) financial sectors institutions with interlocking shareholdings, according to the following criteria and terms: (i) as a financial group, or (ii) as three separate individual institutions, and/or (iii) any combination thereof.

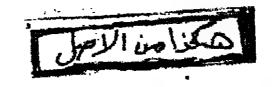
Name	Type of Institution	Nº of State Owned Shares	N° of Shares for this bid	% of Eastitution for this bid
BCA	Commercial Bunk	775.000	525.000	52.50
GARANTIA	Insurance Company	96.620	91.789	45.895*
PROMOTORA	Venture Capital Company	255.000	180.000	40.00*
*The Government wi	Il contractually ensure that manage	ment control will be	beld by the succ	

The bid package containing the Confidential Information Memoranda and other pertinent bid documents may be acquired at a cost of Euro 20.000 Euros from the privatisation Unit (UPR) at Largo do Cruzeiro - Ténis, CP No 323, Praia, Cabo Verde, telephone (238) 61 23 19, Fax (238) 61 23 34, email: cvprivatization@mail.cvtelecom.cv.

Any requests of information, questions or clarification regarding the bidding process may be addressed to the Bid Committee at the Privatisation Unit, at the above indicated address.

The bid proposals must be submitted by 16H00, local time on Friday, July 9, 1999, at the office of the Privatisation Unit, Largo do Cruzeiro -Ténis, Praia Cabo Verde, in wax sealed envelopes according to the instructions contained in the Resolution nº 74/98 of December 31, 1998, published in the official gazette nº 48, Serie I.

The bid proposals opening session will take place at 10H00, local time on Monday 12th July, 1999 in the Ministry of Finance, Praia, Cabo Verde,



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# Black comedy which breaks every taboo

Nigel Andrews on a great movie about the desperation in everyday life

Joel Schumacher

RETURN TO PARADISE Joseph Ruben

**PROMETHEUS Tony Harrison** 

AN IDEAL HUSBAND Oliver Parker

There has never been a better film about desperation than Todd Solondz's Happiness. Trailing a Cannes International Critics Prize and a brief, colourful history of American media furor the film broaches nearly every taboo sexual topic in the book - it tells us what we already knew but scarcely liked to say, even to ourselves. That a well-adjusted human being is a contradiction in terms; that bappiness is an aim rather than a state; and that sex is a gigantic joke – often a dark one - played by, for and on

men and women. Take any three sisters in the world and they might be, de coeur of Louise Lasser, reading from left to right, a playing the three sisters' fey, spinsterly bundle of nerves (Jane Adams), a promiscuous, supercilious ing "Now I'll have to have achiever (novelist Lara another fucking face-lift!" Flynn Boyle) and a complaisant but deceived suburban

men and they might be a plump, sweaty fetishist who cold-calls strange woman (Boogie Nights' Philip Seymour Hoffman), a jilted. sweet-natured bachelor driven to suicide (Jon Lovitz) and a gentle-mannered psychoanalyst with a deadly secret (Dylan Baker). Take any three young boys, as Baker does, serially tiptoeing from his marriage bed shared with Stevenson, and you will be arrested.

As Tolstoy almost said, all unhappy families are interesting and all happy families are dull, or at least interchangeable. Solondz. whose first feature Welcome To The Dollhouse, was about the emotional crucifixions of adolescence - its tics and crosses, its acne and ecstasy - gives us a bigger, better, bolder film here and one that defies categorisation.

Is it funny? You have to laugh - everyone else in the audience is, while also partly gasping - at the bleakly outrageous shot of the dog licking a young boy's inaugural sperm off a balcony railing. at the desperate farce of Hoffman's struggle to bond with an oversize, well-meaning Mexican neighbour (who may be a murderess); or at the definitive American cri mother, when her husband Ben Gazzara says he is leav-Is it sad? Utterly. When

through James Thurber and Krafft-Ebing, then you have a lively imagination and it will serve you here. The mixture is nearly inconceivable, shrink Baker gets his yet Solondz achieves it. His wife and mother (Cynthia comempance after winning camerawork has grown up

a madder wife.

ing at a history of similar

or weep for its victim. Hoff-

man is a saxual aclipsist, for-

of poor misnomered Joy

(Adams)? An adult education

grow up, cannot learn and

cannot supply herself (with

love). After driving Lovitz to

his grave, she falls for Jared

Harris, a mad Russian with

If you can picture Robert

Altman's Short Cuts filtered

his compulsion - put simply, he drugs and deflowers a there is no art in this film's macher should be offered distinguishable from the tion will be stayed only if his gnomic portraiture, all close-ups or medium shots of schoolfriend of his son, hintpeople talking, sighing, acts - we don't know thinking, despairing. But the whether to cheer for justice interiors are lit like early Hockney with a pearly, teasing, Sunday-painter realism lorn and frantic. And what that is almost surreal. And the cutting has a quiet, sensational perfection, like supply teacher, she cannot secret letters sliced open

with a paper knife.

As Tolstoy almost said, all unhappy families are interesting; scene from Todd Solondz's "Happiness

If there is a better film this year - one with a more encompassing compassion about the solitude we each carry, to great or small degree, through our busy, crowded, "together" lives we must establish a new Thanksgiving Day. If there next millennium, we will all

Stevenson). Take any three our horrified sympathy for overnight. You may think The director Joel Schu-wood". This Hollywood is

early retirement, if necessary at the point of a gun. He wrecked the Batman series with Batman Porsper and Bannan and Robin. In &MM (opening next week) he turns a queasily compelling idea by Seven screenwriter Andrew Kevin Walker into a tawdry, shallow suspenser out of Friedkin's Crusing by way of Schrader's Hardcore. (Walker has gone all-but-

the experience.) Nicolas Cage plays the pri-vate eye investigating a rich widow's suspicion that her late consort was involved in snuff filmmaking. Wearing the armour of smug righteousness - a voyeur's best macher penetrate the seedy dens and red-light film districts of the "other Holly- charged Phoenix in a Malay-

nuclear in newspapers about

mainstream one by the fact that people kill to make rub-bish rather than making it bloodlessly. (Note to the sensitive: there is no evidence that a snuff film industry actually exists at all.)

Overacting is rife. The plot is contrivance-driven. The dialogue is unspeakable, though not, alas, literally, And at the Berlin Film Festival the audience shouted "Scheisse!", which I considered polite restraint.

Only Joaquin Phoenix, a young actor with a squashed bug face - he startlingly shared parentage with River Phoenix - emerges with credit and does so again in Return To Paradise. Based on a French thriller Force Majeure, itself inspired by a true story, this puts drugssian slammer where execu-

vacation buddies, led by Vince Psycho Vaughan, return from America to face their share of the music.

Meanwhile Anne Psucho Heche - what is this, a Bates Motel reunion? - plays Phoenix's US lawyer who spends many a long day, or so it feels, putting the persuaders on Vaughan. The film lasts 109 minutes, sans wit or energy but with much not broodiness, and makes a death sentence seem almost

The contrast between An Ideal Husband and Prometheus, two British films pressshown on the same day, was cosmic mischief-maker. The Wilde adaptation is a fancy government-franchised film companies, designed to make

audiences go "Grrr! We want our lottery money back." Prometheus is a cine-pageant about the miners' dispute. the decline of the working class and the state of Europe, scripted in rhyming tetrameters by poet and part-time filmmaker Tony Harrison.

It lasts two hours without break and makes the brain and all parts ache. Hermes is played by Michael Feast, a silver-suited choric priest, who pokes his mitre in our face while damning the exmaster race. (That is, the Huns who gave us Belsen; not Scargill's nationwide half-nelson.) Sundry coal-. men come and go, talking of Mike and Angelo, and other souls who fought the fight. light?", as Harrison toasts emphysema and other gifts of his redeemer. No racking cough will put him off his. "Ogghh! Ogghh!". A gold Prometheus he too hauls, with earnest quips on "golden balls", 'Nuff said: a film this Luddite, arch and ploddin' makes the Wilde seem almost modern.

At least Rupert Everett's Lord Goring knows how to deliver an epigram. With perfect lip-curl he recites the one about loving oneself being the start of a lifelong. romance, though one is tempted to say - no one else in the cast being as good that it only seems that long. Everett courts Minnie Driver while Minnie's brother is. Jeremy Northiam MP, who loves his wife (lately BAF-TA'd Cate Blanchett). though being blackmailed by Julianne Moore, wearing a red dress and sinister British accent. Oliver Parker directs without imagination and the colour photography is early Rank ara. But at least the lines are good and do not rhyme.

Actresses (Ventura Pons) is a talky Spanish film about Picture All About Eve acted by Iberians, take away the then wonder how movies like this ever cross the chan-

## Rich mix of wisdom and innocence

THEATRE

**ALASTAIR MACAULAY** 

Olivier Theatre, London SE1

Leonard Bernstein's Candide - a. cult musical that has enjoyed a chequered history and whose sheer cleverness has sometimes been a pain - comes up trumps in its new production at the National Theatre. It is directed by John Caird (assisted, forsooth. by Trevor Nunn) for the new NT repertory ensemble, and, as with the Nunn-Caird Troibus and Cresside, it has a few faults and blips. Yet all the energies of those involved carry it, entertainingly and touchingly, along its long journey, until it arrives at a rich blend of wisdom and innocence that is as rare in the theatre as it

Few musicals have ever been more ambitious than Candide: ambitious in soiritual and artistic terms. Candide re-tells Voltaire's celebrated novel, and never skimps its central satire of the love in this Caird-Nunn production is that it catches not only

also Candide's own resilient innocence. The show becomes a spiritual journey, like Peer Gynt. And fun: what can often be a series of wiseguy jokes becomes

The production is a triumph of ensemble. John Napier's set is all eloquent simplicity: one huge O hanging at an angle above another on the floor, and the whole wide world to be discovared between them. Peter Darling, whose main experience is as an actor, has produced astonishing quantities of vivid choreography: the fact that he seems to refer to precedents in Sucan Lake (both the traditional one and the recent Matthew Bourne version). in Ashton's La Pille mal cardée. and in Mark Morris's L'Allegro, Penseroso. Moderato is somehou perfect for this literate but largespirited show. The large orchestra, conducted by Mark W. Dorrell, plays Bernstein's acore of many colours with attention and

The central axis of the show is provided by the performances of Simon Russell Beale, as both the philosophy of optimism. What I narrator Voltaire and the philosopher Dr Pangloss, and of Daniel Evans in the title role. Once Voltaire's satirical spirit but Beale/Voltaire starts to narrate,

panacha.



authority, wit, mystery, suspense. His only fault is a tendency to archness, especially evipay-off word of a sentence. He sings extraordinarily well: musical and dramatic values both take wing, and speech and song become seamless. And every time he steps into his alternate character as the increasingly buffeted Pangloss is a little piece of bliss. Evans, by contrast, gives us the radiant naiveté of Candide: a naiveté less of surface than of

Amid a large and talented cast

Condide begins to fly. He has consisting entirely of (that rare brings her oxyacetylene vibrato performers make memorable impressions: Elizabeth Renihan dent in pausing before the final as the maid Paquette, Simon Day as the disdainful Maximilian, Denis Quilley as the pessimist Martin, Alexander Hanson, Michael Wildman, and Chu Omambala, and Mark Umbers in several roles each. Alex Kelly - even though she similars the sharper details of "Glitter and be gay" and coarsens the stage business that accompanies it, - is a Cunégonde whose artlessness and spontaneity carry important parts of the show. Beverley Klein

species) real singing actors, many and enjoyably coarse acting to the failsafe role of the Old Woman: her timing and attack

> John Caird has assembled a new text of Candide that is daringly long at three and a quarter bours but richly rewarding. How many marvellous ensembles there are! And how much this tells us about the larger meaning of Candide, At the end of the show, we pass from one ensemble wonder, the Kings' Barcarolle, to another, "Make Our Garden Grow", as if from winter to

CLOUD GATE DANCE THEATRE

# Rice is rice is rice

display, scattered, gathered, cascading down with the density of monsoon rain, pushed about in a triumph of lethargy by someone I thought of as Joe the Sweeper. Thus the Cloud Gate Dance Theatre from Taiwan, appearing for the first time at London's Sadler's Wells in a spectacle lasting 75 minutes, Songs of the Wanderers. The producer/choreographer is Lin Hwai-min, and the message of this dramatic risotto is that Life is a Journey. Frankly, if it means tradging at snail's pace through this Gobi of rice-grains, I'll wait for a taxi.

The staging plays as its tromp card the idea of priental slowness of means. So characters pilgrims on Life's Way - trail over the stage, each bearing a staff decorated with a tiny bell and all working hard on the idea of mertia as art. If the production aims for some religious significance, its mélange of Buddhist contemplation and Hinduism against a sound-track of doleful Georgian male singing, has an unlikely air. The language is

Rice. More rice. Tons of rice - part old-fashioned modern. raining down on a motionless dance, part Tai-chi, and all porman for over an hour, piling up tentousness. Rice-coloured coson the stage, half-burying tumes - cunningly tattered - are another chap, flung about, glit- by Taurus Wah. The sight of tering in the air like a fire-work these oh-so-slow performers changing position, clambering over each other with all the merry vivacity of a sloth, isintriguing for about five min-utes, after which delight gives way to stifled yawns. Bowls of fire are brought on, about which everyone seems terribly serious, but the point (other than that something might be cooking could it be a paella?) escaped me...

There are moments when angst takes hold of the players: the women tend to swish their hair about and claw at the air; the men go in for anguished scufflings in the rice-piles. Meantime the rice goes on pouring over the immobile Buddha-figure, whose powers of concentration and stillness are the most remarkable thing about the evening. It is, ultimately, a performance having one trick to play, and - as Gertrude Steinhearly said - rice is rice is rice.

Clement Criso

Principal sponsor is ACER.

#### INTERNATIONAL

# Guide

**AMSTERDAM** 

DANCE

Tel: 31-20-551 8911 Leipzig Ballet triple bill of works by Uwe Scholz, Apr 15, Nederlands Dans Theater I: programme of works by inger, Lightfoot, Kylián and Van Manen;

Netherlands Opera, Het Muziektheater Tel: 31-20-551 8911 Otello: by Verdi. Conducted by Carlo Rizzi In a staging by Klaus Michael Grüber, with a cast led by Vladimir Bogachov, Apr 16, 19

BERLIN DANCE . .

Deutsche Oper Tel: 49-30-34384-01 Tokyo Ballet: in the German premiere of Maurice Béjart's staging of The Nutcracker; Apr Tokyo Ballet: in a Maurice Beiart programme comprising

Stravinsky's Le Sacre de Printemps and Petruschka, and Ravel's Bolero; Apr 20, 21

CHICAGO CONCERT Orchestra Hall Tel: 1-312-294-3000 www.chicagosymphony.org Kathleen Battle: recital by the soprano of a programme including works by Handel, Mozart and Strauss, with pianist Martin Katz; Apr 18

COPENHAGEN EXHIBITION . Louisiana Museum of Modern Art, Humlebaek Tel: 45-4919 0719 www.louisiana.dk The Asian City of the '90s: display focusing on the processes of cultural, political and economic development in Asia, and on the dialogue between East and West; to Apr 21

FLORENCE OPERA Teatro Comunale Tel: 39-055-211158 www.maggiofiorentino.com The Queen of Spades: by Tchaikovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin; Apr. 15, 18, 21

**GENEVA** Bâtiment des Forces Motrices Tel: 41-22-418 3000

Ballet du Grand Théâtre de Genève: La Bayadère. New staging by Etienne Frey, with igns by Gerald Poussin. With the Orchestre de la Sulase Romande conducted by Thomas Rösner; Apr 15, 16, 17, 18, 19

LONDON

CONCERTS Barbican Hall Tel: 44-171-538 8891 City of London Sinfonia: conducted by Richard Hickox in works by Strauss, Haydn and Beethoven, with soprano Christine Brewer, Apr 21 London Symphony Orchestra: conducted by Michael Tilson Thomas in works by Charles Ives, Carl Ruggles and Bruckner; Apr 15

 London Symphony Orchestra; conducted by Michael Tilson Thomas in works by Haydo, Bartok and Shelius, with viola soloist Yun Bashmet;

Royal Festival Hall Tel: 44-171-960 4242 London Philhamonic Orchestra: conducted by Lean Botstein in works by Wagner, Khachaturian, and Dvořálc London Philharmonic

Orchestra: conducted by Daniel Harding in works by Brahms. Mozart, and Strauss; Apr 20 Philhamonia Orchestra: conducted by Christian Thielemann in works by Brahms and Schumann, with piano soloist Andrea Haefliger,

EXHIBITIONS Royal Academy of Arts Tel: 44-171-300 8000 Monet in the 20th Century:

arriving in London from Boston, this exhibition brings together 80 late works by the founder of impressionism: to Apr 18 Vasily Kandinsky:
 Watercolours and other Works on Paper. 140 works on paper spanning the whole of the artist's career, to Jul 4

OPERA English National Opera, London Coliseum Tel: 44-171-632 8300 Mefistofele: by Bolto. Conducted by Oliver von Dohnányi in a new staging by lan Judge; Apr 15, 17

LOS ANGELES CONCERTS Dorothy Chandler Payllion Tel: 1-213-365 3500 www.laphil.org Los Angeles Philharmonic: conducted by Emmanuel Krivine in works by R. Strauss, with piano soloist Martha Argerich; Apr 15, 18, 17, 18

EXHIBITION J. Paul Getty Museum Brassai: The Eye of Paris. Retrospective comprising 140 works, which coincides with the 100th anniversary of the photographer's birth. Dubbed the eye of Parls' by Henry Miller," Brassai celebrated the city in photographic series including 'Parls by Night'. Originated in Houston, the show will transfer

to Washington; to Jul 4

**MUNICH** COMCERTS Philharmonie Gasteig Tel: 49-89-5481 8181 Maxim Vengerov: recital by the violinist of works by Brahms, Prokofiev. Chausson and Ravel. with pianist Leon McCawley; Apr 15

Vienna Philharmonic Orchestra: conducted by Roger Norrington in works by Nicolai, Bellini and Bruckner, with plano soloist Friedrich Höricke; Apr 19

EXHIBITION Heus der Kunst Tel: 49-89-211270 Angelika Kauffman (1741-1807): retrospective of works by the Swiss decorative artist, who was a founder member of London's Royal Academy. Includes paintings, drawings, prints and porcelain: to Apr 18

**NEW YORK OPERA** Metropolitan Opera, Lincoln Center

Tel: 1-212-362 6000 www.metopers.org Susannah: by Floyd. James Conton conducts a new staging by Robert Falls, with a cast led

by Renée Fleming and Samuel Ramey, Apr 16 The Queen of Spades: by Tchaikovsky. Conducted by Valery Gergiev in a revival of Bliah Moshinsky's staging, designed by Mark Thompson. The cast is led by Plácido

Domingo, Galina Gorchakova and Olga Borodina; Apr 15

New York City Opera, New York State Thes Tel: 1-212-870 5570 www.nycopera.com Intermezzo: by R. Strauss. New staging by Leon Major, with seta by Andrew Jackness and costumes by Martha Mann. Conducted by George Manaham; Apr 18, 18, 21

PARIS EXHIBITION Musée du Louvre Tel; 33-1-4020 5151 www.louvre.fr Le Pyramide du Louvre à 10 Ans: programme of lectures, walks, concerts and films, celebrating the pyramid's 10th anniversary: to Apr 21

OPERA Opéra National de Paris, Opéra Bastille Tel: 33-1-4473 1300 www.opera-de-paris.fr Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen, with designs by Paul Steinberg.

 Lucia di Lammermoor: by Donizetti. Conducted by Bruno Campanella in a staging by Andrei Serban and Robert Carsen, with designs by William Dudley; Apr 17

SWANSEA OPERA Grand Theatre

Apr 19

Tel: 44-1792-475 715 Welsh National Opera: Hansel and Gretel, by Humperdinck. Conducted by Władimir Jurowski

in a staging by Richard Jones; Welsh National Opera: Peter Grimes, by Britten. Carlo Rizzi conducts a staging by Peter Stein, with a cast led by John Daszak; Apr 17

TOKYO DANCE NHK Hall The Royal Ballet tour: Swan Lake; Apr 16, 17, 18, 19

TV AND RADIO WORLD SERVICE BBC World Service radio for Europe can be received in western Europe on medium wave

EUROPEAN CABLE AND SATELLITE BUSINESS TV

 CNN International Monday to Friday, GMT:

648 kHZ (463m)

06.30: Moneyline with Lou Dobbs 13.30: Business Asia 19.30: World Business Today 22.00: World Business Today Update

 Business/Market Reports: 05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20;

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

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By M

# Budget revisited

Britain's annual Budget ritual is a spectacle wondrous to behold, but causes more confusion than it is worth

The British love sporting occasions and they also love an achievement against unnecessarily heavy odds. The annual Budget is an example of both.

My main excuse for returning to the Budget over five weeks after the event is that the House of Commons Treasury Committee has courageously issued a report, The 1999 Budget which despite the group's Labour majority, makes some trenchant criticisms of Budget presentation.

The Budget emerges just before 5pm on a Tuesday afternoon in the form of a speech of just over an hour in length, containing a mixture of partisan rhetoric. technical announcements and all stations in between. Because of the market havoc caused by the late afternoon announcement of a change in interest rates, the European Central Bank has said that it will in future make these announcements at noon. But even such a minor improvement is too revolutionary for the British

Some of the confusing elements are probably due to nothing more sinister than a misguided attempt by the chancellor or his advisers to keep down the length of the speech by cutting out vital explanatory phrases such as the time period for which key figures apply.

A large explanatory "Red Book" is also issued which nobody can be expected to digest in a single evening. This used to be called just "Financial Statement and Budget Report". But it is now called "Building a Stronger Economic Future for Britain"

Nevertheless, as a result of a Herculean effort, made necessary only by the nature of the ritual, papers such as the Financial Times manage

to provide comprehensive

COVETBEE. Given the circumstances. there should be a premium on conciseness in the Red Book. Unfortunately the trend has been in the other direction, Nigel Lawson's Red Book of 1987 contained 67 pages. Kenneth Clarke's Red Book for 1987 had expanded to 160 pages. Gordon Brown has added more to bring the 1999 total up to 189.

Where the present chancellor has excelled presentation of his neasures, The 1987 Red Book had a one page first table in which the tax proposals were divided into leadings such as Income Tax, Excise Duties, VAT, inheritance Tax and Corporation Tax. Not very thrilling, but useful. The Conservative Budget for 199 had aiready become more propagandist. Its first table contained bardly any figures but listed goals such as Lasting Prosperity, Helping People Keep More of what they Earn, High Quality Public Services. The actual Budget measures were not listed until a detailed table on page 146. But at least that table kept to the boring but useful headings such as Inland Revenue, Customs and Excise, and National

Insurance Contributions.

brought forward to page 13

Financial effects of successive UK Budgets

In 1999 this table is

and for good measure

Budget 98 or earlier

repeated in identical form on page 130. But the old official type headings have given way to propagandist titles such as Raising Productivity, Increasing Employment Opportunity,

Building a Fairer Society. To find out how much the upper earnings limit for employee national insurance contributions has been increased, one would have to guess that it comes under Increasing Employment Opportunity. One can forgive quite a lot

of the appalling presentation for the sake of the substance. Mr Brown has removed two obsolete and harmful reliefs – that for mortgage interest and the so-called married couples allowance. He has improved the national insurance progression to increase incentives and lower the poverty tax. He has also undertaken desirable measures of redistribution towards families with children, where much of today's poverty tends to be found, and to provide top-up benefits for those who prefer to work for modest pay rather than try to claim the dole. He has moreover made a good start on his declared aim of integrating tax and the social security into what might eventually be called a

negative income tax. There is however much to forgive. He has apparently abandoned the goal of simplification and tax

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neutrality to a far greater extent than is necessary to achieve the above goal. Earned income is now to be taxed at three different rates and income from savings at four, which are themselves different from the rates on earnings. There are also many weird and wonderful reliefs and allowances which are meant to improve productivity, including - if I understand it correctly help for employers who lend bicycles to their staff to get

into work. As several witnesses to the Treasury Committee pointed out such incentives do not cost very much in total and are unlikely to do much harm or much good. But they are a reminder of Old Labour's propensity towards selective intervention. Of course market failures exist. But at the very least the government should in future dopt the suggestion of Andrew Dilnot of the

new intervention is meant to The Treasury Committee's first suggestion is that tables of the financial effects of successive budgets should be shown both separately and combined, and taxation and expenditure figures should be distinguished on a consistent basis. The committee has done this

Institute for Fiscal Studies

specific market failure each

(IFS) and identify which

itself by painfully combining different tables in the Red Book. The result is reproduced here. It should end once and for all the argument about whether the 1999 Budget reduced taxation. The combined effect of all

Labour Budgets up to the 1999 one has been to increase the tax burden substantially by methods which are called "stealth taxes" by those who do not like them. The 1999 Budget merely reduced the severity of these increases. Whether you call this a reduction or not depends on which side of the House you sit.

It is difficult to see why the chancellor resists such straightforward explanations. He was previously criticised by financial purists for not increasing taxes enough and leaving too much of a burden on monetary policy. He has replied quite

legitimately that he has tightened the fiscal stance by a record 3 per cent of

gross domestic product. He could now just say that he can afford to loosen the screw a bit, but not all the way If such an admission costs Labour one seat at the next general election I would be more than astonished.

Another suggestion is that the leaflet which the chancellor intends to distribute to each household should contain an independent element provided by the national Audit office or the IFS to guarantee impartiality. I would suggest that this

element should extend beyond the leaflet to the Red Book itself. There is a further ruggestion made before which the government still ignores. This is that the chancellor should stop lumping together the cost of popular measures over three confront us years and mixing them up

with other annual items. I would like to add one more suggestion. The original idea of a Green

chancellor's detailed proposals a few months beforehand so that they could be properly studied This was proposed in 1980 by the Armstrong Committee of which I was a member. It is particularly necessary under the British system whereby what the chancellor says on Budget day normally becomes law unless there is

Budget was to present the

howler. The present Pre-Budget Report is not really a Green Budget but a rather general restatement of government economic policy with a good deal of partisan pleading for good measure.

a huge public outery or he

has committed a technical

The reason why both Mr Brown and his Conservative predecessors rejected the full Armstrong idea was the fear that it would allow interest group pressures to build up and impede much reform. But this constraint is surely less important halfway through a parliament when most chancellors have already announced the more unpopular reforms which

they have in mind. So the coming autumn or winter would be the ideal time to introduce a Green Budget worthy of the name.

# LETTERS TO THE EDITOR

## Driving home the need to manage workload sensibly

From D.J. Madan. Sir. Very many years ago. when a batsman at cricket left a difficult ball alone, his action was often greeted with genteel applause from the spectators and exclamations like "Well left, Sir" or "Well played,

Part of the solution to the problem posed by Richard Tomkins in his article on time management "Old father time becomes a terror", (FT Weekend, March 20/21), and related tensions, lies in this action of the batsman, to decide what to leave, in the options that every

Prof Parkinson was right

time available and, if I might add, generate the right kind of tensions.

Just as our batsman has to decide which balls to smack and which to leave alone, we need to decide an order of importance (prioritisation) and then try to perform duties within the set time frame (that is, at a good rate of productiv-

I do not believe that we are working harder than our forbears.

Perhaps, we are working harder in the field of high finance, where it has become fashionable to work late. unlike the old bankers who rarely stirred out and

feeble the tasks before us, departed from their banks they will grow to fill the on the dot. In most other areas, in factories, in the fields, in homes, and even in offices, which account for the bulk of all work, the load has not increased, whereas leisure certainly has.

The solution lies in striking a proper balance between the needs of leisure. family and health on one hand, and duty on the other. and not allowing one to on. the transgress

With such a balance, tensions will surely decrease.

B.J. Madan 28 Altamont Road 400 026

#### Is trade really this preferable to aid?

From Mr Robert Coleman Sir, If the logic of Mrs Kinnock's letter (April 12) on the European Union banana regime is correct, the Caribbean producers can start breeding sturgeon and

exporting caviar to the EU. That it costs the European consumer/taxpayer something like £12 for every £1 of support received by poor banana growers in the Caribbean does not seem

to faze her. Her argument is that any trade, no matter how comparatively disadvantageous and conducive to EU extravagance and corruption, is preferable to any direct sid, no matter how transparent and productive.

Robert Coleman. director. US Offshore. Roman House, 296 Golders Green Road,

#### Consumers do not need one-sided protection

From Mr John Hall QC. Sir, Ms Shelia McKechnie (Letters, April 12) knows very well that the point of my letter of April 6 was that the Ombudsman should be impartial. I did not say that consumers of financial services need no protection. What has angered Ma McKechnie is my assertion that the Financial Services

consumers she represents. I agree that consumers should be protected, but they do not need, and should not be given, the extravagant and one-sided protection the bill affords.

Bill is biased in favour of the

Why, for example, should the Ombudsman's award be binding on the firm, but not on the customer? Why should the Ombudsman not be obliged to decide his cases

according to law? The bill empowers the Ombudsman to award compensation on the basis of

reasonable in all the circumstances". This means that, unlike a judge, he will not be obliged to decide issues of Hability or damages according to legal rules and will be able to award damages of up to £100,000 even if there has been no breach of the company's obligations. This stands the rule of law on its head and will also give rise to many practical difficulties. How will a company's legal adviser decide whether his client should fight or settle, when he cannot tell whether issues of liability and/or damages will be decided according to the law or to palm tree justice?

My opposition to these provisions is due to repugnance at the proposed setting aside of the rules of law and fairness

John Hall. Francis Taylor Building, what he considers "fair and London WC1. UK

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# Meeting of minds

PERSONAL VIEW WILLIAM WALLACE

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The US and the EU must resolve their cultural differences if they want to make any real progress on international co-operation and trade

militarily committed in south-eastern Europe and about to embark Round" of trade negotia-

Asia and Latin America and political stalemate in Japan make transatlantic cooperation even more central to an open global economy and a stable world order. Yet the gap in mutual understanding between US policymakers and their European counterparts is wide.

The Congressional mood on trade relations is ugly. The embers of protectionism are clearly smouldering on Capitol Hill." Bruce Stokes wrote in the National Journal after the House's approval of legislation on steel quotas last month. ready to burst into flames with the slightest downturn in America's economy."

Congressmen who attended a recent Transatlantic Policy Network conference in Italy portrayed themselves as a threatened minority of free traders. squeezed between rightwing protectionists.

They see America's widening trade deficit with western Europe as evidence in itself of European protectionism, aggravated by the "output gap" in the German economy which - to them follows from Germany's failure to reform its labour martowards the more efficient Anglo-Saxon model. They cite the repeated failures to open European agricultural markets, evident yet again on European strategy at the March European towards Russia in its forth-Council in Berlin, as demonstrating an overall effort to its approach confirms US to European advantage. The European governments, by remarked, "is just a ruse to sia as part of Europe's away from European experi-

political issues, Washington frontier on the Baltic. politicians also complain that Europe is not pulling its with Europe goes far beyond . weight. They see themselves this. There is an alarming as "running a monetary policy not just for the US but righteousness and plain misfor the world" (as one Wash- information in the Washingington commentator put it) ton debate. Determination to

the European Central Bank; acting as importer of last resort to keep the world economy growing, while on the new "Millennium Europeans drag their feet even on opening their markets to eastern Europe.

European incoherence on important issues is a constant irritant. US officials have pushed their European counterparts to share strategic approaches to Russia. Ukraine, Turkey, central Asia and China, but have received only muffled

Part of this bill of complaint against the European allies is justified. Failure to agree on the agricultural reform package at Berlin was a triumph for France, at the expense both of European Union enlargement negotiations and of wider interests in the Millennium

he US and its Euro- introverted perspective of Europe every time the EU through many different wavers on World Trade channels: through Nato, Organisation rulings is accompanied by Congressional unilateralism, often in six-monthly EU-US summits. lobbying.

> population is now covered by some form of US economic sanctions. If (unwisely) pushed the Iran-Libya Sanctions Act, or US legislation on trade with Cuba, to WTO trade panels, mones and genetically modified organisms, Washington

is narrowly litigious. American economic model is

Americans would insist that political priorities must override legal determination. Yet ance leader and the where European domestic politics constrains trade negotiations, as on beef hor-Triumphalism about the

Washington's self-image of coherent and strategic foreign policy leadership is far away from European experience of disjointed demands from different Washington agencies

negotiations Americans find themselves facing both the European Commission. which is responsible for traditional trade issues but not for the widening agenda of services, environmental and social policies, and EU member governments, with a different government in the

Finland promises to focus coming EU presidency. But scepticism about parochial defining relations with Rus-"northern dimension", as if On broader economic and Russia only had a maritime

But American discontent mixture of resentment, selfin sharp contrast to the retaliate against Fortress Europe are managed

Round. In transatlantic attacks on European social capitalism, by Democrats as

> and sustainable development on the agenda for the Millennium Round, there is little tion 40 per cent larger than the US, but crowded into a third of the space, must be more sensitive to social order, environmental preservation and even aircraft noise.

> Washington's self-image of coherent and strategic foreign policy leadership is far ence of disjointed demands from different Washington agencies. The US Trade Representative announced the details of sanctions against Britain in the banana dispute the day after British planes had supported the US

well as Republicans.

understanding across the Atlantic that a European Union which has a popula-

in renewed strikes on Iraq. American relations with

response to domestic These last have the least political resonance in Euro-Two-thirds of the world's sceptic Washington and the most precarious place in policymakers' calendars. "We have to fight for every European governments one," an American diplomat warned a European delega-The White House sees

through bilateral links with

European states and through

Nato as its preferred frame work for US-European rela tions, with the US as alli-European allies following that lead. Here too, however, there is resentment: over Europe's deficient military capabilities, evident yet again over Rosovo, and European unwillingness to accept that American leaderaccompanied by aggressive ship extends to political strategy outside Europe.

The Washington consen States should draw Europe. over time, much further into a global strategic partnership to help shape the international system in the new era", as a new Council on Foreign Relations report puts it. But this is assumed to be a partnership on American terms, most of all in the Middle East.

Some European officials despair of their chances of creating a more sympathetic understanding of European interests in a political sys-tem which is driven by the desperate search for campower of domestic lobbies.

Yet European governments cannot afford to allow transatlantic relations to drift apart. With a succession of summits over the next three months, with the Franco-British defence initiative edging towards a European group within Nato, with a series of difficult trade disputes under way, European heads of government should have more effective presentation of European approaches and interests to the American audience high on their

The author is professor of international relations at the

# Soul-searching in Moscow

The Kosovo crisis has stirred up old Slavophile feelings in post-Soviet Russia. But, says John Thornhill, not all Russians support the Serbs

he anti-American feelings of one graffiti writer in Russia were abundantly clear when Nato warplanes first struck Yugoslavia. "Good Clinton = Dead Clinton," the protestor scrawled on the underside of a Moscow bridge.

Since Nato's bombing began three weeks' ago. Russia has been convulsed by moral outrage, national humiliation and fear as the conflict escalates. Opinion polls show that 90 per cent of Russians oppose Nato's air campaign. There are calls for sending volunteers to fight for Serbia and supplying arms to Belgrade.

This upsurge of patriotic hysteria has been milked by Russia's mainstream politicians and applauded by hardline nationalists. Even Russia's liberal politicians, who have pushed Russia to embrace western values and institutions, have been shocked by Nato's actions. Yegor Gaidar, the liberal

former prime minister, argues Nato's air strikes are an offensive action against a sovereign state without proper authorisation from the United Nations. He argues that few in the west realise that Nato's assault will have alarming political repercussions in Russia, It will almost certainly strengthen nationalists in the run-up to December's parliamentary elections. There is nothing more important for Russia and Russian democracy than to

bring hostilities to a stop,"

he says. But perhaps the most alarming aspect of the reaction to the Balkans crisis is the possibility that the antiwestern backlash could grow to the point where Russia turned itself into a "rogue" state, allying itself with Iraq, Iran, Serbia, and Libya to warn that the country might restart the cold war, but it could certainly encourage the growth of a new world

For evidence of what Russia could do, consider the views of Viktor Ilyukhin, the radical Communist MP and chairman of the parliamen-London School of Economics | tary security committee. He

disorder.



is one of many nationalists who argue that Russia has gained little from co-operating with the west and would be better off opposing it.

He argues that Russia should unilaterally lift the international arms embargo on Yugoslavia, supply Belgrade with anti-aircraft missiles, and target its nuclear rockets at new Nato countries, including Hungary, Poland, and the Czech Republic. "This is a barbalate the economic potential of a country and to kill neaceful citizens," he says. The strength of feeling in

Russia can be partly explained by its sense of humiliation at the loss of superpower status. It is painful for Russians to accept that their economy has shrunk to one-fiftieth of the size of the US economy, and that Moscow can no longer control events in its own backyard.

In part, Russia's reaction may have been determined by its foggy historical instincts. The bombing of oppose US hegemony at Russia's Serb "brothers", every turn. Russian liberals who share close cultural and religious ties, has revived not be powerful enough to memories of the 19th-century pan-Slav movement. Though dimmed by almost 80 years of Communist internationalism, such sentiments are again finding a try, meanwhile, has been modern resonance in proposals to create a union between Russia, Belarus and Yugoslavia and ward off

"Moslem extremism".

.The belligerence has also been accompanied by a great deal of muddled thinking, and the difficult realisation that Russia's historical loyalties now clash with its dependence on western aid. Boris Yeltsin, the president, has been heard to mutter about retargeting Russia's huclear missiles at Nato countries, while continuing to press western governments to approve fresh loans from the International Monetary Fund. Russia has also sent lorries of humanitarian aid to Belgrade, while pleading with the European Union and Washington to step up their assistance programmes

But as this mixed response

suggests, Russia is not a monolithic country - and for every Slavophile proclaim. ing brotherhood with the Serbs, there is someone else cautioning against anti-westernism. Indeed, in the past few days, some of Russia's policymakers have come to realise that the anti-western hysteria may have gone too far. Yevgeny Primakov, the prime minister and one of Washington's fiercest critics, has tried to rein in the extremists. He says Russia will not turn its back on economic reforms nor revert to isolationism.

The Russian foreign minisreassuring western embassies that - no matter how strongly it feels about Yugoslavia - it does not want to break off relations or take

any military action. Indeed, western diplomats suggest Russia now has a real opportunity to enhance its international prestige by playing a constructive role in resolving the Yugoslav conflict.

Moscow's media, which carried overwhelmingly pro-Serb coverage in the early stages of the conflict, has been moderating its stance. In particular, NTV, the private television channel controlled by Vladimir Gusinsky, the business tycoon, has become studiously non-parti-

The channel's reporting from Kosovo's borders has highlighted the scale of the humanitarian catastrophs and contradicted the Russian foreign ministry's line that the Kosovar Albanians are simply fleeing from Nato bombing, "It is possible that the deep fear of being drawn into a war has forced our journalists to search for and our compatriots to demand - not only simple and clear, but increasingly complex information," the Itogi news magazine con-

cluded this week. That remark might apply to westerners looking at Russia's own response to the Kosovo crisis. As Minitimer Shaimiev, president of the semi-autonomous republic of Tatarstan, has reminded the Kremlin, Russia is itself a m u l t i . ethnic state with 26m Mos-

lem citizens. Mr Shaimiev raised the frightening prospect that Russian volunteers fighting for their Serb brothers in Yugoslavia could clash with their Moslem compatriots intent on defending the Kosovars.

In one sense, Russia's reaction to the Yugoslav crisis shows how slenderly the country knows itself. Post-Soviet Russia has not yet developed a true national identity nor clarified its strategic interests. Yet in another sense, the debate within Moscow emphasises the degree to which Russia has already become an open and pluralistic society. Political diversity can breed confusion but also, perhaps, a greater sense of social

One person, at least, recently saw fit to erase the anti-Clinton graffiti on that

responsibility.

# FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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# Abuse of power in Malaysia

day of Anwar Ibrahim, Malaysia's former deputy prime minister, on charges of abuse of power. But, in the emotionally charged atmosphere that surrounds any such manifestation of injustice, it is important to untangle the complex legal and political issues involved if the real lessons are to

By Malaysian standards the crimes of which Mr Anwar was accused - sodomy and corruption are serious ones. Judge Augustine Paul, who presided over the case is an honest, upright man who appears to have scrupulously met the demands of the Malaysian legal process. But what local standards deem fair, international standards will regard as a travesty.

Mr Anwar's reputation was inttially smeared by the prosecution's lurid allegations of sexual misconduct to which he was not allowed to respond. The defence was not allowed to develop its case of a conspiracy against Mr

dictions, these developments would raise serious concern. So would Mr Anwar's detention under the Internal Security Act and the appalling fact that no charges have been laid against the police chief who admits to

The outside world will rightly condemn the conviction yesterof the developed world with which it wishes to rank. As comtries become richer, their people set higher standards for the rule of law. A respect for due process and institutional accountability thus go hand in hand with economic development. Much as Mahathir Mohamad, the prime minister, may wish Malaysia to be the exception, he cannot ignore this general rule. Indeed

> to send. The point is not that their objections automatically mean support for Mr Anwar in any political struggle. His record as finance minister was mediocre he allowed credit to roar and then slammed on the brakes too hard - and, in a multiracial country, he draws support from the more divisive elements of Malay

this is the central message

Malaysian protesters are trying

But Mr Anwar's evident political ambition does not justify vic-timisation. And the political consequences are uncertain. Dr Mahathir's grip on power still appears strong, but his popularity in the country has diminished and his authority within his own party is less certain than before. sooner elections are held. which are due within 12 months anyway, the sooner the real strength of his mandate to gov

By opening legal proceedings encouraging investment in highagainst DaimlerChrysler for stopping dealers in four European Union countries supplying cars is little evidence that franchised to non-residents, the European Commission has struck a modest blow in favour of consumers and the single market. But Brussels will need to get much tougher still if it is to stamp out persistent anti-competitive behaviour of the kind of which Daimler-

free trade between EU members. record £102m last year for violating EU competition rules in that way. If DaimlerChrysler is found . guilty of similar offences, it is likely to face equally severs pen-

But Brussels' efforts to curb such abuses will be hampered. while it connives at encouraging them by continuing to exempt motor industry distribution from EU anti-trust rules. The exemption gives manufacturers unparallelled control over the retail supply of their products throughout the KII. To grant such powers and he surprised when they are abused is as naive as to hand someone a loaded gun and not

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gar. =

\*\*\*\*\*\*\* No. of the last

quality after-sales service can no longer be taken seriously. There dealers offer a better deal than independent garages. indeed, Ford's recent bid for the Kwik-Fit chain of independent repair garages, which has won business away from its own dealer network, suggests the reverse.

For too long, European car and high costs. In much of the buyers have had to tolerate wide EU, it has helped keep distribuprice differentials that can only tion fragmented and left dealers be fully explained by manufacturers' turers' determination to restrict "threats to cancel their franchises. Such a weak retail structure is Brussels fined Volkswagen a kighly vulnerable to manufacturer pressure not to supply bergain hunters from high-price markets, in defiance of EU law.

The exemption has long outlived its usefulness - if it ever had any. There is no case for renewing it when it expires in 2002. But achieving an efficient single market in cars requires more than simply acrapping this unjustified indulgence, Brussels watchdogs will also need to enforce much more vigorously free competition in the retailing. distribution and after-sales ser-

That is desirable, not only for consumers, but also for European manufacturers. Sheltering them with risked markets at home is Industry arguments that the no way to equip them to face the exemption benefits consumers by rigours of global competition.

**COMMENT & ANALYSIS** 

# Re-think at the Fed

Greenspan is adjusting his policies in a world where inflation seems dead, says Gerard Baker

shind the unblinking facade of the US Federal in Washington they are cleaning house. From top to bottom of the venerable institution, shelf-loads of tools and measures of monetary policy are being dusted down, reconditioned or even cast aside.

The Natru, a faithful appliance icy since the 1970s, is being consigned to storage. The Expecta-tions-Augmented Phillips Curve, an attractive, if beroque, piece of economic furniture, is deemed no Even that family jewel, the Taylor Rule, is getting some long,

hard looks from the repairers. This is because some of these tools indicate that the US economy - after a prolonged expansion - should be dangerously close to overheating. They suggest that Alan Greenspan, chair man of the Fed, should be tightening monetary policy to avoid an outbreak of inflation.

Inflation remains firmly under control even as the economy expands. And the men and women of the Fed responsible for monitoring it and keeping it on a sustainable track are acknowledging that their traditional

methods may no longer work. The search is now on for ana lytical tools that might work bet ter. So far, officials have not abandoned tried-and-tested formulas for interpreting the economy's signals. But a far-reaching intellectual inquiry is under way into the basis of monetary policy

"I don't think we really have a lot of clues," Alice Rivlin, the vice-chair of the US central bank, said in an interview last week. "The macro-statistics may not be all that much help. People who want to understand this may need to pay a lot more attention to what is really going on in businesses and labour markets."

In its unprecedented growth spurt over the past three years, the US economy has broken several rules; first, history says sustained growth above the economy's long-term trend will inevitably end in higher infla-

For three years, the US has grown at an annual rate of just under 4 per cent - 1.5 percentage points above the long-term trend. Yet the main measure of overall inflation, the gross domestic product price deflator, has fallen steadily - to an annual rate of 0.8 per cent in the last three months

Second, theory suggests that a fall in unemployment below a certain level will lead to a spiral of accelerating wage and price inflation as demand for workers forces employers to pay higher wages, without a corresponding increase in output:

in the past few months, the memployment rate has fallen to 4.2 per cent, its lowest level in 30 years and well below what even the most scentical economists recard as the lowest rate consistent with stable inflation. Yet average annual earnings growth has been little changed in the past year and is now just 3.6 per cent, consumer price inflation is 17 per cent per year, half what it was three years ago.

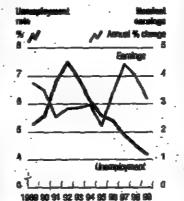
Third, experience indicates that low unemployment leads also to declining productivity, or output ner hour. As employers hunt for workers in increasingly tight labour markets, the quality of the people they are able to hire diminishes.



But even as unermioyment has declined, the rate of productivity growth has doubled in the past two years, from its sluggish rate in the early 1990s, to over 2 per cent now.

have used these events as evidence that the US economy has entered a "new paradigm" - a fundamental positive shift in conditions in the past few years that

Not even the most optimistic of the policymakers on the Fed's Onen Market committee, which sets short-term interest rates admit to being converts to the new peradigm. Nor is anyone quite ready to cast aside comthe traditional



This may be partly because even policymakers who sympathise with the notion that something fundamental has changed would not dare say it in public.

The Fed's pronouncements are so closely scrutinised that any admission would be seized upon But officials also appear to be

genuinely undecided about what fees to hafflement at the apparent. breakdown in traditional rules. They admit to waning confidence in the view that the strong performance is all down to a number of "lucky breaks" - such as falling global commedity prices or declining healthcare costs.

As a result, the Fed has registed pulling the interest-rate trigger for most of the past two years, even as inflation warning lights have been flashing. Officials are at least prepared to allow the possibility that something radical might have

"This will perhaps be remembered as Greenspan's greatest strength, says Richard Medley, of Medley Global Advisers, a policy consulting company, who sindies the Fed closely. "Here he is, a 72-year-old man who remains completely open to rethinking the way the world

One reason for this re-thinking is an unusual divergence hetween conditions in labour and

**OBSERVER** 

these two phenomena. She argued that increased global competition to hold down prices may have induced a radical change in companies' behaviour. Instead of pushing up wage inflation, tight labour markets

may actually have reduced it by encouraging companies to invest more in plant and technology and in the training of their workers. That may have raised productivity, and held inflationary pressures in check. Ms Rivlin emphasised that this

Big investments - especially in information technology-related

equipment - have raised the out-put per hour produced by each

tor in the benign inflationary environment. Higher productiv-

ity enables companies - and the economy as a whole - to produce

In addition to this phenome-

non, some economists argue that

US companies have changed

their behaviour in response to

the intensification of global com-

Because of fierce pressure at

home and abroad, companies are

increasingly unable to raise

prices for fear of losing market

share. Instead, they have had to

find different ways of dealing

with the cost pressures they face.

possible explanation that links

petition in recent years.

more without raising prices.

was merely a possibility, not a confirmed fact, and some other Fed insiders are sceptical. But there does seem to be a growing belief among policymakers that something quite important - the potential of the US economy for achieving sustained productivity growth - has changed. As Robert Parry, the head of

the San Francisco branch of the Fed said last week, the evidence is more persuasive than ever that an upward shift in output per hour has occurred in the past three years. Many economists doubted the reliability of the productivity figures, but the improvement now seems to be so marked that attempts to explain away the change now seem less convincing.

You do not have to be a believer in some dramatic "paradigm shift", say some senior Fed officials, to believe this change could be important. It may be that productivity improvements have raised overall growth potential by some relatively small ers will have difficulty in draw- amount - say by half a percent-

age point per year. labour, it is equally clear that then it suggests a possible alternative to the new paradism. The they could in principle expend output without experiencing new paradism implies that the US is moving from the old world potentially inflationary producof hard choices and policy The critical aspect of this phetradeoffs to an nirvana of infla-

tion-free growth. Under the alternative view, the old rules may not work for now. But this nirvana will prove simply to be a transition, and the US economy will eventually face settle down at a new period in , which it will again face trade-offs between price stability and

In other words, the economy will not go on for ever, functioning as benignly as it has done in : the past three years. At some point the old rules will reassert themselves, but simply at a slightly higher rate of growth.

That implies that Fed officials should not throw away all the old analytical appliances just yet. . They may need to be tweaked and adjusted to reflect the way the world has changed But eventually, their day will come again.

# Sweden wobbles

into relief when Erik Asbrink deficit peaked in 1993 and a facresigned as finance minister earlier this week after a row with rates and lack of inflation. Goran Persson, the prime minister, over tax cuts. Mr Persson ment debt stands at nearly 68 per had enraged the prudent Mr Asbrink by suggesting that there was room to cut texes next year, limit for entry into European eco-12 months earlier than the former finance minister preferred. It Asbrink was right to argue that

hint: by 'Mr Persson. his intentions. Does he really want to cut taxes soon, or does he want to maintain fiscal rigour. to equip Sweden to join the euro Ministers in 2001?

light on this. Little clarification ness talent. can be expected from Bosse Ringholm, the new finance minis-

domestic product punishes entire imposed the spending cuts and preneurs when Sweden badly tax rises which eradicated the needs more high-growth compa- budget deficit.

Sweden is not the first European den's progress in putting its pubcountry to face uncomfortable lic finances in order. Yesterday's economic and political choices as . budget forecasts 4 1.8 per cent it considers whether or not to surplus on public finances this join the euro. Those choices were thrown from the 12 per cent at which the tor in the country's low interest

· But outstanding gross govern cent of GDP, too high to sustain that surplus and well above the nomic and monetary union. Mr was the latest unscripted policy more of that debt should be paid off before the government can Mr Persson should now clarify make significant tax cuts.

There is scope for tax cuts in the next year, but they should be modest. Good targets for demolition are the wealth tax - an when Stockholm is president of annual charge on personal assets the European Union's Council of - and double taxation of dividends, both of which are partly Yesterday's budget threw no to blame for the exodus of busi-

These could be cut without harming the Swedish governter, who will probably do the ment's ability to pay down its prime minister's bidding. The debts. But that assumes Mr Pers choice between tax cuts next son does not go soft on structural year or later is finely halanced. reform. His past record suggests Mr Persson is right that he should have the mettle to Swedes should be taxed less. A. keep up the pressure. As finance tax burden of 55 per cent of gross minister in the mid-1990s, he

nies to replace maturing busi- It was careless of Mr Persson to lose a finance minister. It would Yet the practical scope for tax be uncharacteristically reckless cuts is slender, even after Swe- to give up on fiscal rigour.

#### Star turn In Delhi

doctorate, likes to be called 'revolutionary leader" and is civing India's shaky government the tright of its life. But Jayaram Jayalalitha, the

former Tamil movie goddess who esterday deprived the ruling. coalition of her party's support, so it exactly dour or doctimaire. She once splashed out \$30m on her foster son's wedding, a get-together so lavish that it made lights go out throughout

uitcases to her Delhi hotel. Jayalalitha first popped up in the 1960s as a sex strenette in Tamil-language movies, and soon secame mistries to screen egend MG Ramachandran. On his death, Jayalailtha fought

her way to lead the Tamil party

he founded. She's since carved a niche for herself as one of India's most wilful, unpredictable and controversial leaders. As chief minister of the southern state Tamil Nadu in the early 1990s she gained notoristy with government contracts which ended up with litigation - but

enlightened health policy. Jayalalitna doesn't make everyone feel better though. Her auditor says she put him in hospital by setting about him with sticks and a pair of

also won respect for her

high-heeled shoes, though she denies any wrongdoing. And if the country's already battered government has any sense, it'il tread carefully when she's about.

#### Culture clash

While Deutsche Bank is busy Importuning American regulators to let its takeover of Bankers Trust go ahead, the object of its affections has problems of its

A new low's been reached with an internal e-mail that seeks to explain nearly all things German to BT's Baltimore and New York employees. The product of much

head-scratching over how to make the banks' marriage work, "Doing Business in Germany", tells staff to avoid all the high-fiving and back-slapping that comes naturally to New York financiers. "Germany is a low contact culture," it intones. BT staff are also instructed to

expect little positive reinforcement" from German bosses. If you get no feedback at all, this is a sign that you are doing everything right," It explains. Be warned too when trying to curry favour: if visiting the family home, don't bring cheap wine or chrysanthemums - they're only suitable for

And remember that, in what may be a novel approach for BT staff. "before agreeing to

funerals.

proceed Germans often expect business proposals to have been worked out fully." The memo stops short of

repeating John Cleese's Fawity

Towers mentre of "don't mention the war", though it can't much help an already troubled deal. But as it handily explains, if the takeover did feil, it wouldn't overwhelm Deutsche's staff. Americans' upbest attitude often comes across as naiveté. For Germans, a sense of

impending catastrophe is nothing

#### Run for it

Renato Rugglero, who's on his way out as head of the World Trade Organisation, has hit on the perfect way to squash hopes that he'll stay on.

Though the WTO's still descrocked over his replacement, the 69 year-old Ruggiero's booked himself and his wife a New York bound trio aboard the QE2 in mid May. He plans to boit Geneva for the isleof Capri on April 30.

He also warns that no less than three books, drawing on 50 veers of experience as diplomat. Eurocrat and trade supremo, will soon be on their way. Ruggiero, who handed in his

notice over a year ago, may have seen his firmness pay off. Yesterday the WTO council vowed it would "definitely" have a decision by April's end. All the same. Observer can't help

wondering whether his tickets are

., 1989 90 91 92 93 94 95 96 97 98 99

have grown tighter in the past

few years, reducing excess capac-

ity in the form of workers

Yet productive capacity use

has actually fallen. Industrial

capacity utilisation - at around

80 per cent - is now down to near

In other words, while employ-

nomenon is that it goes some

way towards explaining why pro-

ductivity might have improved

looking for jobs.

sion levels.

tion bottlepecks.

significantly

#### Don Lucio

Throw away the flow-charts. Junk the textbooks on ndogenous growth, Lucio Tan, the tycoon behind alling carrier Philippine Airlines, has an Idea for revving up the islands' economy - and it's thankfully low on theory. Tan reckons that the place

needs a mafia for business to get

buzzing again, just as human bodies need bacteria to function. But Tan, once a pai of Ferdinand Marcos, the former dictator whose wife did so much for the shoe industry, draws some fimits. He doesn't want Russian-style mayhem, but prefers a "guided malia" operating in tandem with the government. At least it'd help the

#### Sun shine

market for horses' heads.

North Korea, the nation that trades nuclear technology for potatoes, is in festive mood. Sun's day, birthday of late leader Kim II Sung, was a week ago, but celebrations continue.

As the North Korean news agency reminds us, "rays of President Kim II Sung, the sun, will illuminate the road for humankind forever". And, don't rush - Kim's

biography is finally out. Volume 58, that is,

#### Financial Times 100 years ago Happy Stock Exchange

The annual report of the managers of the Stock Exchange, besides making the proprietors feel that their money is embarked in a raise a feeling of envy and ealousy in the breasts of those who, being mere members of "the public," are unable to take advantage of

Even a proprietor of the Stock Exchange is restricted to 200 shares, £12 being paid up on each. Still, a dividend of £8 per annum per share, as was recommended in the report, represents a tidy income to each person with the full amount.

Bill for accountments For some years past there has been a very natural desire among the general body of accountants to secure for their profession a measure of definite legal recognition which should place them on an equality with lawyers, doctors and others whose status has been made the subject of extremely careful deliberation

The Society of Accountants and Auditors has prepared a Bill which, in its opinion, will provide adequate machinery for the registration of accountants.

and strict regulation.

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# Broken line

Three months on, the battle for AirTouch has produced its first casualty. Bell Atlantic has announced it will dissolve PrimeCo, its mobile telephone joint venture with AirTouch, as soon as the latter completes its merger with Vodafone. This is not entirely unexpected. After all, Bell lost out to the UK cellular operator in January's \$60bn bidding war for Air-

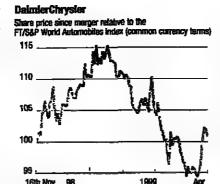
At the time, all sides professed continued enthusiasm for PrimeCo, which covers 41m people in the middle of the US, filling the bole between AirTouch's west coast presence and Bell's east coast franchise. AirTouch could buy out Bell's stake in PrimeCo but the move still has the effect of depriving both companies of a national wireless footprint when AT&T and Sprint are making hay with country-wide cellular coverage and one-rate tariff

For Bell, however, other considerations are more important. PrimeCo's strict noncompete agreements potentially threaten its proposed merger with GTE, another blg phone company, whose substantial cellular assets overlap with AirTouch and PrimeCo. Assuming that merger goes ahead. Bell will still have a substantial US footprint. Vodafone AirTouch, by contrast, will have at the very least to build Its east coast presence piecemeal, either by buying small operators like Omnipoint or picking up left-over mobile licenses. This will take time and money the group would probably rather spend internation-

#### DaimlerChrysler

Shareholders in DaimlerChrysler are right not to overreact to yesterday's threat of legal action from the European Commission over allegations of anticompetitive behaviour. The carmaker is charged with ordering dealers in four countries not to sell cars to non-residents, breaching the "block exemption" rules governing relationships between carmakers and distributors. Although the Commission is talking tough, in this case

its bark is probably worse than its bite. While technically it could fine Daimler 10 per cent of its worldwide sales if a breach is proved, any actual penalty is likely to be far lower. The last time the Commission fined a carmaker for break-



ing the rules - Volkswagen in 1998 - the penalty was just 0.4 per cent of turnover. And VW's was an open and shut case while Dalmler's looks less clear cut. Daimler could also argue any fine should apply only to the €33bn of sales generated last year by the car activities of the old Daimler-Benz. This would imply a top whack risk of €3bn, but a more realistic outcome of about €130m - just 2 per cent

of Daimler's expected net profits this year. This raises another question: whether the Commission is discharging its duty to protect consumers if toothless fines like this are the best it can do. The truth is the block exemption rules, which protect carmakers from the rigour of EU anti-trust law, are still helping to preserve substantial car price differentials in the single market. They should go.

#### Olivetti/Telecom Italia

If you cannot beat them, join them. That is the thought behind the latest scheme doing the rounds about how Telecom Italia could ward off Olivetti's hostile bid. Its original defence plan is in tatters following its failure to secure a quorum at last weekend's shareholders' meeting. So why not, as some suggest, adopt a me-too strategy: arrange for a friendly shell company to launch a highly leveraged bid for Telecom?

The notion has some appeal. In particular, shareholders would receive a large dollop of cash. There would then be a simple choice over which manager investors prefer: Olivetti's Roberto Colaninno or Telecom's Franco Bernabe. However the big problem with this idea is it would involve a monumental U-turn. Telecom would have to assume a mountain of debt. something Mr Bernabe has in the past argued was a weakness in Olivetti's bid. The company would also no longer have funds to integrate its mobile subsidiary. Mr Bernabe's plan for a unified capital structure would have to be abandoned

If this copy-cat approach was the only one available, it might be sensible for Telecom to adopt it. But it is still unclear whether the failure to secure a quorum really indicates that shareholders are backing Olivetti or just keeping their options open. To retain its independence Telecom needs to do more than sit on its bands. But it will be disappointing if the best Mr Bernabe can do is eat his words.

#### Takeovers

Should bidders be allowed to include, as a condition of their offer, that there be no changes to the board of their target? The issue is pertinent. The Takeover Panel is pondering whether Michael Ashcroft can utilise just such a condition to fold his bid for Corporate Services Group. From a corporate governance perspective it is clear why such a condition might be undesirable. After all it is up to shareholders to decide on the composition of their board. In a bid situation especially, they may feel they need to strengthen the board to get the best price for the company. It is not for a bidder to choose who to negotiate with. That said, shareholders can simply ignore such a condition, as a majority of CSG's have done, by pressing for the removal of some directors.

Furthermore, such a condition is not in itself that dangerous. Its existence alone does not allow a bidder to invoke it and let his bid lapse. For that to happen, the Takeover Panel has to judge the matter to be of "material significance" to the bidder. Where the panel will come down in case of CSG is still unclear. It may decide that the resignation of Jeffrey Fowler as CSG chairman does not actually warrant Mr Ashcroft lapsing his offer. That would be ironic since neither Mr Ashcroft nor a number of CSG's shareholders seem that keen on the bid - at

#### AMERICANS HINT THEY MAY SET UP RIVAL SYSTEM IF AGREEMENT IS NOT REACHED

# US rejects plan for world accounting standards body

The Financial Accounting Standards Board of the US has formally rejected a blueprint for a body that would set a single reporting code for multi-national companies wanting to list on the world's leading stock mar-

Ed Jenkins, chairman, said proposals by the International Accounting Standards Committee did not go far enough "in creating a high-quality, independent standard setter that would be acceptable worldwide".

The board's statement implies that If a series of specific improvements to the plan, which would make it closely resemble the FASB, are not agreed then it might set up a rival body that it would hope to see become a world accounting standards board.

spectre of a dual system in world financial reporting.

The European Commission is a strong supporter of the IASC, as are several big economies. But the FASB believes some could be tempted to

back a rival. Supporters of the IASC will see the move as a gambit. They hope that pressure from the G7 countries for rapid progress in building a single global financial reporting system to safeguard investors will bring the two sides together.

The International Organisation of Securities Commissions, the club of world stock market regulators, is reviewing a set of core standards produced by the LASC for use on ading stock markets.

But the debate on the future structure of the IASC has overshadowed

Sir Bryan Carsberg, secretary. general of the IASC, said the FASB's view was not "unanimous in the US" and underestimated the fine balance that had been drawn up in the proposals to reform the IASC.

The FASB's response raises the to narrow the gaps," he said. He agreed that negotiations had reached a "crunch" and that politics had complicated the talks. It is a pity people have to engage in a sort of power struggle.

Sir Bryan, a former UK director-

general of fair trading, added that the FASB's response raised the possibility that the European Union might require US companies to follow IASC rules when listing on European stock markets.

The IASC has won the specific encouragement of the G7's finance ministers. Sir Bryan has also worked to accommodate growing interest in harmonisation within the single European market and the role of the European Commission.

The FASB has consistently attacked the IASC for what it sees as its lack of independence, disclosure, and due process and poor record in enforcing compliance.

The IASC hopes an acceptable compromise can be hammered out by the summer.

If the IASC succeeds in getting agreement for the use of its standard, companies would be able to use a single set of accounts to list anywhere in the world to raise capital

Accountancy Column,

# Indian PM to face confidence vote after losing coalition ally

By Mark Nicholson in New Delhi

India's president yesterday told the government of Atal Behari Vajpayee to seek a confidence vote in parliamentafter a key ally pulled out of the ruling coalition.

President K.R. Narayanan gave no deadline for the confidence vote the most serious threat to the Bharatiya Janata Party government since it came to power last year.

Indian television reported last night that the government had agreed to face a vote at the opening of parliament today. Congress, parliament's second big-

gest party, claimed that the loss of 18 MPs from the Tamil Nadu-based AIADMK party had reduced the BJP coalition to a minority in the 548seat parliament, giving it "no moral, constitutional and political right to continue in office"

The sentiment was echoed by other opposition groups. Analysts was 15 seats short of a majority in

the lower house. BJP leaders insisted they could rally a majority in the lower house in spite of the withdrawal of the AIADMK, led by controversial for-mer movie star J. Jayalalitha.

"It is not a minority. You will see it in the house," said Venkaiah Naidu, BJP spokesman. He declined to explain where it would find support to offset the loss of its ally. The shortfall will be made up, Mr Vajpayee said.

If the government falls, it will be the fourth Indian administration to collapse in three years. That would raise the possibility of new elections in little over a year, casting a pall of political uncertainty over its economy, which has shown signs of recovery in recent months.

Business leaders expressed disappointment at the latest political crisis. "In the last four years we've seen uncertainty after uncertainty said last night they believed the BJP and only in the last four months

some signs of stability," said Rajesh Shah, president of the Confederation of Indian Industry. "If we are to go through a period of limbo, it won't be good for the country."

The stock market has declined by more than 7 per cent since the crisis came to a head late last week. Brokers said they were bracing for further falls today. The market was closed for a holiday yesterday.

India's latest political squall may threaten passage of the country's budget, presented in February and due for parliamentary approval this month, and other vital economic bills, including an insurance bill. The crisis could set back modest

progress in Delhi's talks with Pakistan and the US. The fractured nature of India's parliament, where there are almost 40 parties with fewer than 20 members, makes it almost impossible to

call the result of a confidence vote.

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Markets

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#### FT WEATHER GUIDE

#### **Europe today**

European News

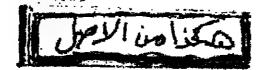
Much of Scandinavia will have showers, with sleet and snow in will be dry and sunny. There will b showers across central Europe from north-west France to the Reltic states, Northern and ea Scala will have showers, but central and southern Spain should stay dry and bright. Portugal will be sunny and dry. The Mediterranean coast of Italy and the area round Venice will have showers. Elsewhere in Italy, it will be dry and surnry. Greece will be mainly dry and sunny.

Five-day forecast

It will stay unsettled. However, by the weekend, the British Isles and northern Europe will become drier and brighter. Showers will devel Mediterranean by next week, bringing snow from the Pyre

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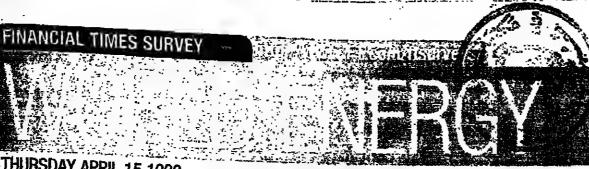




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THURSDAY APRIL 15 1999

Pathetic fallacy A cloud still hangs over nuclear



Guif price war Political wrangling is not over yet Pages 6-7



Wind of change Renewables are more democratic Page 3



Numbers game The review's new statistics section Page 8

# Saudi diplomats lead first-aid effort

Price pressures are exhausting oil company chief executives around the globe. Production caps have eased the situation in the short term but, says Robert Corzine, a relapse is still possible

Volatility has long been a of possible civil unrest in the for a new round of global watchword for the internation most vulnerable countries if production cuts was more. tional petroleum industry. prices stayed depressed. The But the extreme swings in sentiment that have affected the sector over the first three months of this year have rarely been seen in such a short period:

In January and early February the gloom that had settled over world oil mar-kets for much of last year seemed impenetrable. Oil executives spoke bleakly of prices having "entered a new for a possibly prolonged period of oil price deflation.

The World Bank detected "evidence of a fundamental break in the level of commodity prices, due to rapid advances in technology and declining costs of produc-

The gloom deepened as the western world's biggest inte-grated oil companies began reporting sharp slides in profits, deep citts in capital. spending and large-scale redundancies. Many projects that had not been marginal-. ised by low crude prices were delayed.

in - many oil-producing countries national budgets sure. There were warnings March that paved the way, supply overhang that was

only bright spot was the strong performance of the US economy, the world's bigeven its buoyant economic collapse in oil demand in

Asia and elsewhere. " As the weeks passed and oil prices showed no signs of improving, fears grew that they could plunge even further as members of the Organisation of Petroleum Exporting Countries continued to squabble over production cuts agreed last year.

"Earlier this year we were in imminent danger of a global price war that would have had terrible consequences for our [Opec] countries," says Ali Rodriguez, the Vanezuelan oil minister. "It could even have been worse than many belligerent

Intense diplomacy by The elation with which oil producing countries and companies welcomed the

than understandable.

But are the sighs of relief being heard in oil ministries and corporate boardrooms worldwide warranted? Has the market really turned? growth failed to offset the And what are some of the lessons of the oil price col-

> Last week the interna tional Energy Agency, the Paris-based organisation that monitors world oil mar-kets on behalf of the industrialised countries, said it believed the latest round of oil production cuts by leading exporters "... would lead to significant stock drawdowns over the remaining three quarters of this year. assuming that the agreement was honoured.

On that point, the IEA said "...serious implementation appears to have already begun". The agency added that the quality of the high-level political commit-Saudi Arabia, the world's ments supporting the Hague biggest oil producer and agreement gives it a credibil-exporter helped bring the oil ity that was absent from last world back from the brink. year's effort by Opec and agreement gives it a credibilnon-Opec producers to prop up prices.

Although the cuts - aimed at eliminating the giobal last year's price collapse -were only implemented from April 1, the shift in market sentiment in recent weeks has been pronounced. In the four weeks to April 8 the price of the beliwether twomonth forward Brent futures contract rose more than 20

per cent on London's Inter-

national Petroleum But the suphoria is tinged with caution. The latest rally was only able to lift the average price of two-month forward Brant to \$11.96 a barrel for the year to April 8. well below last year's average of \$13.67.

Longer-term oil futures prices also show that the markets are cautious about how far the present recovery will go. On April 8 the price

for April 2000 was just \$13.94, well below the \$18-\$20 a barrel range that more than a few Opec oil ministers hoped to achieve through their lat-

est cuta

Given the dynamic nature of oil markets and the myriad factors that affect them, their hopes may yet be realised. But not all Opec states are hoping for sharp price increases. Mr Rodriguez, Venezuela's oil minister, believes it is time for the exporters' group to begin thinking about price ceilings, as well as price floors. as a way to contain price volatility: "Some optimists talk about oil hitting \$21 a barrel, but that may bring us back to over-production. of their ardour for securing That's why we need a cell-

Relief, tempered with cauof the Brent futures contract tion, also marks the

inc." he says.

sector to the recent price

Few companies are expected to relax their efforts to slash their costs and lower the economic threshold at which they can develop new

A recent survey of 94 oll companies conducted by based oil consultancy, shows the companies are using an average oil price of just \$13.76 a barrel for 1999 budgeting purposes. Many are insisting that new projects must be profitable at \$10 oil

The survey also suggests oil companies have lost none access to low-cost oil reserves, especially in the

response of the corporate Saudi Arabia and Kuwait, even though the last two countries still do not allow direct foreign investment in their exploration and production sectors, but are

studying the possibility.

The long-term intentions of such producers has prowestern oil companies. Some including those that are keen to invest in Kuwait and Saudi Arabia - say they would view the opening of those oil industries as an admission by two of the world's leading producers

that long-term prices are

likely to fall. "Unless they believe that world demand will pick up at quite a rate and over a long time, they simply don't need to add capacity," says Middle East. It shows a one European executive who sharp rise in interest in Iran, monitors the region.

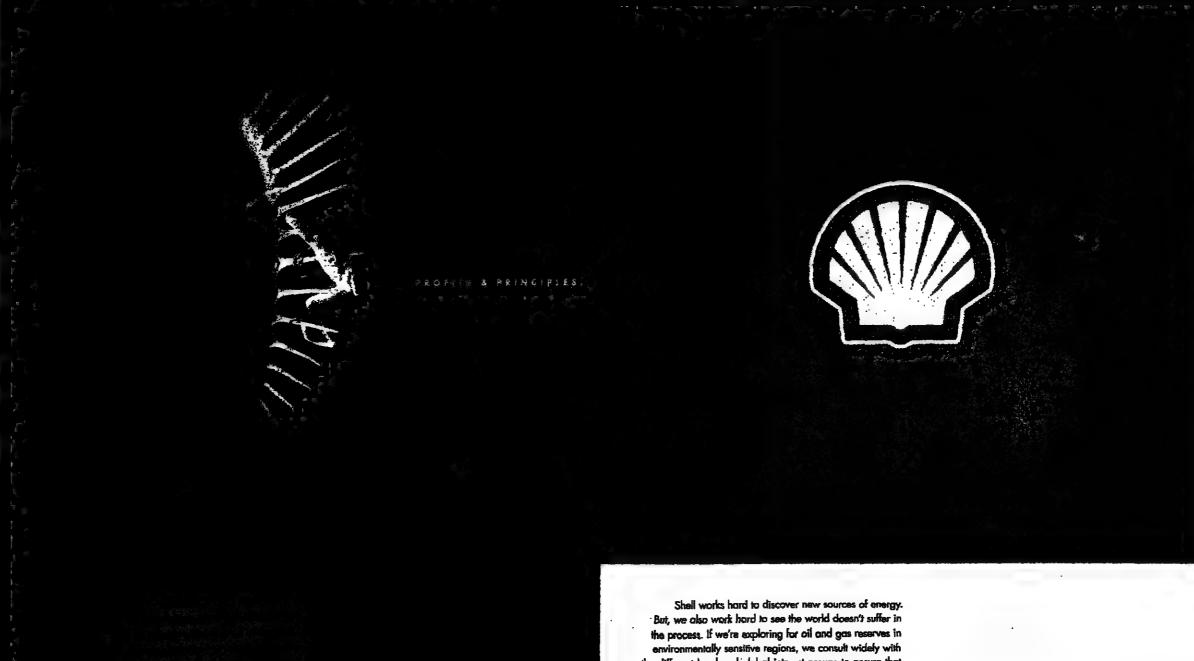
Another indirect clue to wave of consolidation in the US and European industry continues: "You cannot underestimate the sheer executives feel at having to cope with low oil prices, For those companies with extensive exposure to high-cost areas. "the relentless pressure to consolidate" might prove overpowering if the current upward price

moon Fine

trend stalls. The threat of a slow death that faced a large chunk of the world's oil industry at the start of the year may have receded. But the depth of the downturn is likely to leave lasting impressions and more than a few scars



OR BECOME ONE?



the different local and global interest groups to ensure that bio-diversity in each location is preserved. We're also trying to encourage these bodies to stay involved throughout the process and monitor our progress so that, together, we can review and improve the ways in which we work. It's all part of our commitment to sustainable development, balancing economic progress with environmental care and social responsibility. Because we believe that, even when times are tough, supporting the best interests of the world is in our own best interest.

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# Beginning of the end

Developing nations are stretching the timeframe for weaning us all off oil and coal

Most oil companies remain ber's climate change conferdeeply sceptical about the need to take action to curb global warming. But not all. The case for developing cleaner, renewable energy sources is being argued by a small, but influential part of

'We've embarked on the beginning of the last days of the age of oil," said Mike Bowlin, chief executive officer of Arco, the US oil and gas company, in a speech delivered in February.

"Global demand for clean energy – natural gas, renewables, electricity and new energy technologies - will grow faster than overall demand for energy, including oil and coal," he said. Energy companies could recognise the growing demand for alternative fuels or "ignore reality and slowly but surely be left behind". An energy company pon-

dering how seriously it should take global warming has to assess a complex mix of factors encompassing selence, technology, the international commitment to curbing climate change and public opinion, which is heavily influenced by the prevalence of climate-related natural disasters.

Last year, an exceptionally severe El Niño (a periodic warming of the eastern Pacific) served to illustrate the damage that could be inflicted by global warming. Six of the first eight months of 1998 set temperature records, China had its worst floods for three decades, twothirds of Bangladesh was under water for most of the summer and Hurricane Mitch devastated large parts of central America.

Destruction of this sort can create a climate of opinion in which governments and companies start accepting the need for change.

"Among the most important developments since Kyoto has been the growing number of leading US corporations acknowledging that the threat of climate change is real. Many are now work-Kyoto into a reality, exploring new ways to use energy better and smarter," said

ence in Buenos Aires. The Buenos Aires conference attempted to hammer out details of the international agreement struck in Kyoto a year earlier. In this protocol, developed countries agreed to reduce emissions by 5 per cent by 2008-2010, which represents a 29 per cent cut compared with the expected "business as usual" emission levels

without the Protocol. Over a year after the Kyoto protocol, countries are still struggling with the question of how they will achieve the savings they promised. The approach to greenhouse gas controls may vary significantly from place to place. For example, the



ENERGY EFFICIENCY

US is likely to put a particular emphasis on emissions trading, while several European countries are introducing energy taxes.

In addition, voluntary action by industry to regulate carbon dioxide emiscant adjunct to traditional environmental regulations, particularly in Europe, led by Germany and the Netherlands, Japan and the US. This year the EC Integrated Pollution Prevention and Control directive will come into force, requiring that industrial installations be operated in such a way that energy is used efficiently". But whatever tactics are

used, the direct impact on global climate of developed countries' efforts to curb their greenhouse gas is likely to be limited in the short term.

Most future growth in ing to turn the promise of emissions is expected to occur in the fast-developing regions of Asia and Latin America, which are not sig-

the long history of past emissions and the inertia of the climate system, a substantial amount of further climate change cannot be avoided, even if countries make cuts in current emissions.

As a result of these factors, the Kyoto target itself does relatively little to combat the rate of climate change, according to a group of UK scientists writing in Nature, the science journal last October. Fully implementing the Kyoto protocol would reduce the expected warming of 1.4°C by 2050 by just 0.05°C.

"The global numbers of people put at increased risk of hunger, water shortage or coastal flooding during storms as a result of project climate changes is hardly touched by the targets under discussion at Buenos Aires, even if full implementation of the targets is agreed there," they said.

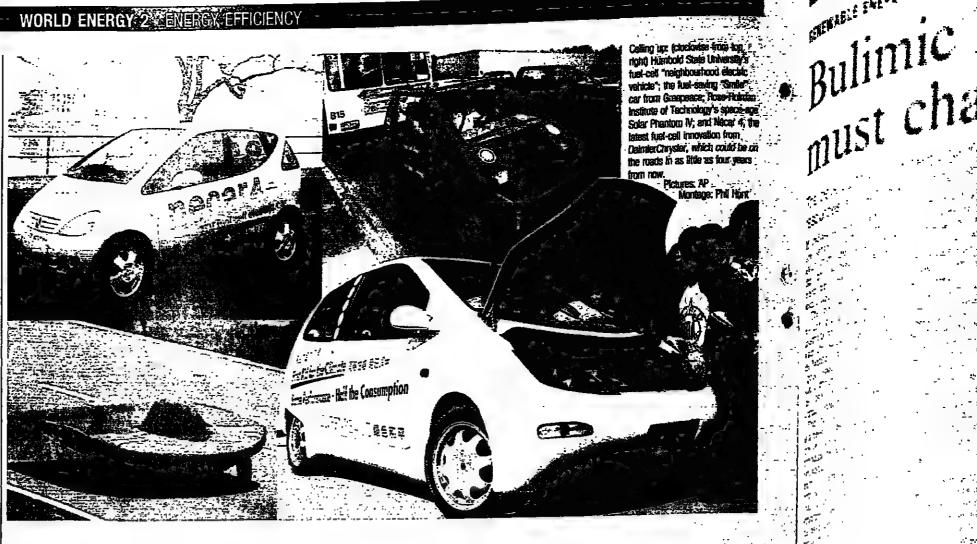
This apparently inexorable rise in temperature underlines the importance of adaptation. It also underlines the perception that the Kyoto protocol is only the first step in a process that must eventually require much greater reduction in emissions together with the participa tion of developing countries.

But even if the industrialised countries, acting alone, cannot hope to arrest climate change, there is a widely held view that they should take a lead. Unless industrialised countries make strenuous efforts to curb their emissions, it is unlikely that developing countries would be prepared to limit their own emissions Moreover, the industrialised countries have a crucial role in spearheading the technological efforts to find alternative forms of energy.

For, in the end, the solution to the global warming problem is likely to depend on technological innovations that allow a shift towards cleaner energy sources.

At present, around 15 per cent of the world's energy comes from non-fossil fuels. That would have to rise to at least 50 per cent for the earth's atmospheric carbon dioxide content to be stabilised at twice pre-industrial levels, according to scientists from New York University writing in the journal *Nature* in October 1998.

The scale of this transition appears daunting. But the challenge could be an oppor tunity, the scientists said. The potentially adverse effect of humanity on the earth's climate could well stimulate new industries in the 21st century, as did the Stuart Eizenstat, head of the natories to the framework Second World War and the



FUEL EFFICIENCY by John Griffiths

WORLD ENERGY 2 BYERGY EFFICIENCY

# Eco-cars show spurt

DaimlerChrysler's Necar 4 has come a long way from the concept cars of the past decade

An entirely new era in the history of the car has just been quietly ushered in on the picturesque roads around George Washington's outskirts of the capital

Quietly in a literal sense the diminutive Mercedes-Benz A-Class scuttling through the trees emitted only a discreet whine. Far more significantly, its

exhaust was emitting water vapour, not pollutants or carbon dioxide, the main reenhouse" gas. The practically and com-

mercially viable car powered by an environmentally 'clean" fuel cell, rather than a petrol or diesel engine. may not yet be in the showroom. But the speed of its development has been a great surprise.

While the baby Benz may be first, Ford, General Motors and most other large manufacturers have made clear that they do not intend to be far behind.

Schrempp and Robert Eaton, were on hand to stress that the fuel cell project is for real and that cars will be on sale in just over four years' time. Just as importantly, said Mr Schrempp, the cars will be in the marketplace as genuine competitors, with none of the purchase subsidies that have underpinned many battery-powered

Present. too. was Firoz Razul, chief executive of Ballard Power Systems, the Vancouver-based company which developed the fuel cell technology and which has formed, in partnership with Ford and DaimlerChrysler, German-based dbb Fuel Cell Engines to produce

It is significant that under the terms of the deal, involving an investment of more than \$1bn. dbb is free to sell the systems to other manufacturers. All three partners recognise the need for the technology to become generic if other industries are to respond and create its

supporting infrastructure. in much simplified terms, a fuel cell works by taking oxygen from the air and combining it with hydrogen to produce electric power for torque from startup eliminates the need for a gearbox. Where pure hydrogen is not used, the hydrogen is extracted from methanol or other liquid fuel via an on-

board reformulater. There are still hurdles to overcome, most notably in terms of reducing component costs, the fuel to be used and the infrastructure

needed to deliver it. Necar 4 40 or so years' time. But it, too, needs its own distribuuses pure compressed hydrotion infrastructure, even if it gen at cryogenic temperacan be fairly readily protures. It thus emits neither There are still hurdles to overcome in

terms of component costs, fuel and the infrastructure needed to deliver it pollutants nor CO2. But the development of a tanks and pumps at conven-

comprehensive infrastructure for the mass distribution of such a fuel almost certainly rules it out for any vehicle operations except those - such as airports where vehicles operate locally and can be supplied from a single refuelling site.

Although DaimlerChrysler's development teams are working to a multi-fuel brief which will allow pure hydrovided through separate

and that of much of the

automotive industry, is that

methanol is likely to prove

most practical, although it

will still emit CO2, albeit at

a rate claimed to be cur-

rently 30 per cent less than

the most efficient internal

Since methanol can be pro

combustion engine.

tional filling stations. DaimlerChrysler is investing \$1.4bn to turn Necar into commercial reality. Necar 4's performance, with a fuel cell size putting out the equivalent of 75bhp, includes a 280 mile range, 90 mph top speed and a fuel consumption equivalent to 88 petrol miles per gallon. Such is the current rate of fuel cell system development, DaimlerChrys-

that by the time it reaches elements, including CO2 emission levels, will have been substantially improved.

The fuel cell car will not arrive in the marketplace in time to make a substantial contribution to the European motor industry's voluntery commitment to cut carduced ad infinitum from bon dioixe emissions on new renewable resources such as cars by 25 per cent by 2008. trees, it offers the prospect Even DaimlerChrysler does of a transport industry no longer having to worry too not expect fuel cell cars to make a significant impact in much about oil drying up in terms of volume until after 2010, despite the generic nature of the technology adding more fuel cells creates more power and will allow a quick spread

through all sizes of vehicles. Thus work on new generations of petrol and diesel engines, using such innovations as very high pressure fuel pumps and fuel delivery through an efficient "common rail", is proceeding unabated, with all sorts of variations in between – not least "hybrids" using battery and internal combustion engines combined to increase fuel efficiency and cut pollution. Toyota's Prius hybrid, soon to go on sale in Europe, is already selling more than 20,000 units monthly in Japan.

The EU target is a stiff one. But on present progress, the industry is well on

UN FRAMEWORK CONVENTION ON CLIMATE CHANGE by Vanessa Houlder

# Tip of the iceberg steels political will

Signatories to the United Nations Kyoto Protocol have been stirred by the severity of last year's El Niño but ongoing talks are struggling to make progress

When ministers gathered in ling interest from developing its sulphur dioxide emissions Buenos Aires last November countries in the "clean for talks on climate change, the urgency of their task was dramatically underlined by a spate of natural disasters. A succession of severe droughts, hurricanes, forest fires and floods illustrated the problems that are likely to be exacerbated by rising economies in transition.

But the outcome of the talks was unspectacular. One of the most tangible results was the US decision to become the sixtieth country to sign the Kyoto Protoing greenhouse gases that was hammered out a year earlier - although there is still little prospect that it

will ratify the protocol. There were also announcements by Argentina and land-based International Kazakhstan that they would impose their own targets on

limiting greenhouse gases. More generally, the 160 countries at the conference agreed to finalise, by no later than 2000, a set of rules to make it cheaper and easier to reduce greenhouse countries accountable when they emit more greenhouse

gases than permitted. In addition to declarations modestly encouraging emissions for years to trends. One such was a come. slight but discernible softening of the hostility of parts of the business community to the climate change conference contrasted with agenda. Stuart Eizenstat, head of the US delegation at over the third "flexible Buenos Aires, said: "We've got literally dozens of companies, world class companies, who want to be part of the solution ... This is a sea change in the position of

He also highlighted grow-

development mechanism" (CDM), which - along with "joint implementation" (JI) was one of the mechanisms introduced in the Kyoto protocol to help "green" development flows

to developing countries and Using these mechanisms, investors from an industrialised country will get credit for an emissions abatement project carried out in developing or "transition" countries, at a lower cost than if the project had been carried

out domestically. The potential size of the JI/CDM market is significant. Over the next decade. it could reach about \$10bn, according to the Switzer-Academy of the Environ-

Some critics doubt the effectiveness of these measures. But the initiative also has champions who believe it could provide a strong incentive for developing countries to opt for a more sustainable form of development. They could potentially influence decisions about energy generation that will have a lasting impact on of this kind, there were some worldwide greenhouse gas

The cautious enthusiasm for the JI and CDM mechanisms at the Buenos Aires the controversy that raged mechanism", namely emissions trading.

This facility, which permits developed countries to trade their emission allowances with other countries, is strongly championed by the US. It cites the success of

trading system for its acid rain programme, which resulted in 30 per cent faster reductions and 50 per cent lower costs than had been

The European Union believes unlimited use of emissions trading might stop countries from making significant cuts in emissions domestically. In particular, it is concerned about wealthy countries buying their way out of their obliga-tions, by trading in "hot air" the term used to describe the excess carbon "credits" that Russia and Ukraine are expected by have by 2010.

**Public support will** be needed to keep momentum behind the climate change initiatives

Much depends on the eventual outcome of the talks on these detailed mechanisms. "There is a lot of flexibility in the Kyoto agreement. We really cannot tell what it means until the detailed rules are negotiated," says Michael Grubb of the Royal Institute for International Affairs and the International Academy of

the Environment. The negotiation of the detailed rules could prove a drawn-out process. Several commentators compare them to the process of trade liberalisation that has taken place since the second world

"Trade liberalisation has

basis of a single all-embrace ing settlement but through a series of complex negotiating rounds," says Rodney Chase, deputy chief executive of BP Amoco. "We may need to think in terms of a similar process for the management

of this issue." The idea that climate change talks will be a matter of repeated negotiations rather than a one-off settlement is supported by commentators who fear that the Kyoto protocol may never be ratified, because the US will hold back from ratification unless a significant number of developing countries agree to limit their emis-

If the Kyoto Protocol fails, some countries may be prepared to try again. Christopher Flavin, senior vice-president of the Worldwatch Institute, a Washingtonbased environmental thinktank, points out the new agreements have sometimes emerged from the ashes of failed environmental trea-

For example, the landmines treaty of 1997 was spearheaded by a small group of committed governments which have moved ahead with voluntary pledges, after failing to reach a wider agreement.

But whatever approach is adopted, strong public support will be needed to keep the momentum behind the climate change initia-

Much depends on whether climate change remains in the public eye. Catastrophes have been the driving force behind many previous environmental agreements, says Mr Flavin. "In the end it may come down to the

'Politically,

energy tax

proposals for this

and give a clear signal to

The German energy tax

does give such a signal. It

will be used to reduce labour

taxes from 42.4 per cent to 40

per cent while raising

energy prices by around 10

per cent over three years.

Energy-intensive industries

and farmers will be exempt

from 80 per cent of the tax,

and any company that pays

more on energy taxes than

CHP, which has an effi-

ciency rate of 70 per cent or

Congress are a

investors," he says.

THE ROLE OF TAXATION by Stewart Boyle

# US watches from sidelines

Not all countries are keen to tax their way to a cleaner environment

"It's a start," said Kai to 11.7 per cent. Schegelmilch. "We don't expect a big impact straight away, but it is the beginning of major long-term ecological tax reform in Germany." Mr Schegelmilch, a senior

researcher at the influential Wuppertal Institute, and energy tax adviser to the German Green Party, was essing the likely impact of Germany's new energy tax. introduced on April 1.

With a carbon tax already agreed in Italy, significant energy tax increases tabled in the UK, energy excise duty harmonisation across the European Union (EU) now likely, and energy and carbon taxes already an integral part of tax reform in the Nordic region and the Netherlands, there is plenty of political will behind the

issue in Europe. In North America, there is little opportunity for this type of debate, but in Japan energy taxes may emerge as part of the country's emissions-cutting "Kyoto plan".

With oil prices falling from \$28 in 1984 to as low as \$9 per barrel this year, and energy prices lower in real terms than they were in non-starter 1993, how important are these developments?

For some they mark the beginnings of substantial tax reform. For others they simply balance out some of the energy price decreases over the past 10 years.

The UK Climate Change Levy proposal reflects current political realities. The government's support for the beleaguered coal industry and its pledge not to raise domestic energy taxes has stymied a straightforward carbon tax. Instead, the tax they save on labour tax energy intensive industries will raise around £1.75bn reductions can claim back 80 signing up for negotiated (€2.6bn) by increasing the per cent of the difference. wholesale price of electricity by around 17 per cent (0.6p/ kWh) and gas by close to 40 per cent (0.21p/kWh), while the German tax. Renewable

income of €102m will be Despite the government's used to fund renewable words of support for renewenergy programmes.

able energy and efficient A European Union Direccombined heat and power tive increasing minimum (CHP) plant, neither is level energy excise duties is part of a wider EU tax harexempt from the tax. Dale Vince, managing director of monisation package. Renewable Energy, a trader Although recent Commisin "green" electricity, says sion upheavals and the June the proposals are a "missed European Parliamentary opportunity". elections will delay agree-David Green, director of ment, it could go through in the Combined Heat and the second half of 1999.

Power Association, is The directive would equally unimpressed. "Arguincrease minimum levels of ments that you can't differexcise duty on mineral fuels, entiate between coal-fired while introducing them for and CHP generated electric-ity don't hold water. CHP natural gas and coal. The new minimum excise duty aiready gets exemptions levels will initially affect from the fossil fuel levy so only a few of the 15 EU memadministratively we have a bers, but the tax rates will system to do it. Tax exempincrease in stages in 2000 tion for CHP and renewables and 2002 and will ultimately would be consistent with affect most EU members. government energy policy

The extension of duty to natural gas and coal is also new for some countries. At present, only 10 countries tax natural gas and five tax coal. For coal, however, proposed exemptions mean that only 15 per cent of solid fuel consumption will be taxed. Judged on carbon content alone, one Commission official admits that "natural gas gets a harder time under the tax, while coal gets away a little easy ... but then this is

EU politics" The Dutch and Danish tax systems already have a range of energy and carbon taxes, including the recycling of tax revenues to both reduce other taxes and assist energy efficiency and renewable energy investments. Four different energy taxes apply in the Netherlands, including a recent additional energy tax which exempted agreements on energy effi-

ciency and carbon reduction. This energy tax has an above, will be exempt from innovative approach to cost to employers from 12.2 not be exempted, but the tax credit for a list of selected obse

energy efficiency and renewable energy measures. Data for the first year of operation in 1997 shows 7,000 applications for the energy investment tax credit were received, involving a total investment of about \$325m. It is estimated that the tax credits increase the level of carbon saving by a factor of two to three compared with a straight energy tax.

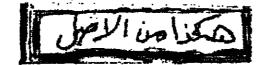
In the US, no energy tax proposals have been mooted since a modest increase scraped through during President Bill Clinton's first term of office. Although US carbon emissions are increasing alarmingly for a country with a 7 per cent reduction target by 2010, Dan Becker, climate change lobbyist for the Sierra Club, the environmental pressure group, admits: "Politically, energy tax proposals for this Congress are a non-starter".

Article 3 of the Kyoto Protocol on climate change says signatories should, by 2005, "have made demonstrable progress" towards their 2010 greenhouse gas targets. "Introducing an energy tax would be one of the most immediate ways for EU countries to demonstrate progress," says Chris Hewitt, an eco-tax specialist from

the UK think-tank IPPR. Some countries are struggling to meet these targets. while the EU tax proposal could meet up to 10 per cent of the member countries' Kyoto target. The initial change consumer and investment behaviour modestly. but a signal would be given that decreasing energy prices can no longer be

assumed by industry. The US, meanwhile, as the largest carbon emitter in the world, stands apart from these developments, and hopes that it can carbonrecycling the revenues, pro- trade its way out of the probreducing the employee tax energy sold on the grid will viding a 40 per cent tax lem created by its own





RENEWABLE ENERGY by Vanessa Houlder

# Bulimic habits must change

The development of energy technologies that rely on infinite resources should help normalise the world's appetite for fuel

away from the fossil fuels that are blamed for global warming, they are faced with a daunting task.

The bottom line is that we are going to need an international effort pursued with the same urgency as the Manhattan Project or the Apollo space programme." said a group of scientists in the prestigious research journal Nature, last October.

They calculated that there is a need to develop carbonfree technologies capable of providing between 10 and 30 terawatts (million million watts) of energy over the next 50 years. "The magnitude of the implied infrastructure transition suggests the need for massive investments in innovative energy research," they said.

On the face of it, the champions of renewable energy have few grounds for encouragement. At present, Energy Agency says that programmes, it is likely that

accounts for only about 4 per cent of the energy needs of its members, which are drawn from industrialised

There has been little evidence of the large-scale research effort that has been called for. In the US, which is the biggest spender on energy R&D, total funding fell by 40 per cent from 1985 to 1994. In recent years, spending on basic research by gas and electricity companies has also diminished sharply, as a result of restructuring and the deregulation of energy mar-

And despite the efforts of BP Amoco and Shell. to invest in renewable energy, there is concern that low oil prices could jeopardise some projects. Although none of the leading oil and gas companies have formally cut fuelled by developments in the Paris-based International back their alternative energy

If industrialised countries renewable energy (excluding some projects will be judged are serious about moving hydroelectric power) unviable unless there is a sustained increase in oil

> Nonetheless, enthusiasts for renewable energy can draw significant encouragement from developments over the last few years. Sales of solar cells expanded by about 15 per cent a year from 1990 to 1997, while coal and oil use increased at just over 1 per cent a year, according to the Worldwatch Institute, a Washingtonbased think-tank. The growth in wind power was even more substantial, at 26 per cent per year since 1990. "While oil and coal still

dominate the world economy, the new challengers some oil companies, such as are expanding at the kind of pace that makes venture capitalists reach for their phones," says Lester Brown, a director of the institute.

The growth of these energy sources has been ing. In the case of wind

power, larger turbines, more machines have pushed costs

In total, the global wind generating capacity now stands at 9600 megawatts, creating a wind power industry that was valued at \$2hn in 1998, according to the Worldwatch Institute. Germany and Spain are among the heaviest users of wind power, while Danish wind companies dominate the global export market. More than half the new wind turbines installed worldwide in 1998 were made in Denmark.

In the case of solar power, improvements in cell efficiency and materials have lowered costs by 80 per cent in the past two decades. The photovoltaic cell, a semiconductor device that turns the sum's radiation directly into electric current, is widely used in off-grid applications, lites and for remote communications systems. According to PVUK, which

represents solar manufacturers in the UK, the rapid growth in the world's photovoltaic market has helped stimulate increased investment in manufacturing facilities, particularly in Japan in production in 2004, and the US. If the total system cost from design to installation is taken into account, the world market is estimated to be close to £1bn

Photovoltaic energy is and efficient manufacturing and already cost-competitive for friendly techniques for sepmore careful siting of the small off-grid applications, arating hydrogen from with potentially large mardown sharply from \$2,600 per kets in developing countries. depends on the development kilowatt in 1981 to \$300 in A great number of other of systems for storing and applications could come significantly. A recent study capacity for photovoltaics, costs could be reduced by

> from current levels. Another encouraging trend for the renewable energy sector is the endorsement of fuel cell technology by several large motor manufacturers, which view it as the environmentally friendly alternative to petrol and dis-

Last month DaimlerChrysler unveiled what it claimed to be the first zero-emissions fuel-cell powered car suitable for production. The prototype uses hydrogen to generate electricity to drive the vehicle, producing mainly water vapour for the exhaust. However, the difficulty in storing and distributing hydrogen in liquid form is likely to mean that methanol - from which the fuel cell extracts hydrogen - is likely to be the fuel source for the first vehicles

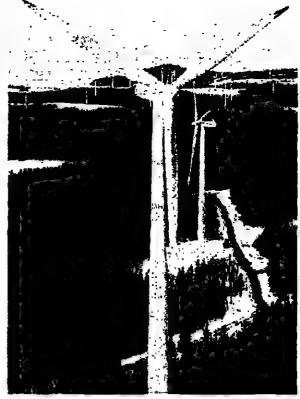
In the long term, fuel cells are tipped as a technology that could make an immense impact on energy usage. opment of cheap, efficient

water. In addition, much transporting hydrogen. within reach if prices fall Researchers are, for example, experimenting with undertaken for the European metal hydrides or carbon Commission suggested that nanotubes, as potential storby scaling up production age devices for large amounts of hydrogen. The prospect of shifting

between 75 and 80 per cent the world's economy away from oil towards renewable energy and hydrogen presents enormous difficulties and heavy costs. But it also holds out the possibility of some attractive benefits mental advantage. Renew and sunshine are far more evenly distributed throughout the world than oil. That means that the majority of countries could become far less dependent on a small number of producers than at nificant economic and political consequences, according to a report by the World-

> "The international energy balance might be more like today, where some countries are net exporters and others importers, but the majority produce most of their own food," it says. "In other words, energy would become a more 'normal' commodity, not one constantly on the

watch Institute



Wind-up merchant: Le Nordais in Quebec, Canada, site of the country's ergest wind scheme, according to owner M&N Wind Power

**EMISSIONS TRADING** by Vanessa Houlder

# Salvation or hot

Corporates are pushing trading ahead of tax or regulations

trading" - the introduction of a system of permits to reducing greenhouse gases, emit greenhouse gases that could be traded between cheap to cut amissions can companies and countries - make reductions and sell generates both enthusiasm those emission rights to and scepticism.

For its critics it is seen as more costly. a way for rich countries to ance costs, making the Kyoto Protocol targets achievable without imposing an excessive economic

sidelines

because places where it is places where reductions are

Greenhouse gases are parexport their pollution and ticularly suitable for emisevade their obligations. For sions trading because unlike its supporters it is a way of other pollutants, which have drastically cutting compli- a local impact, the effect on global warming does not depend on where they are generated.

Emissions trading is being solely carried out on a viewed as an efficient way of government-to-government basis. Others, however, argue that companies, rather

> able to spot opportunities. Both views may eventually be accommodated in a hybrid scheme in which company-level permits are traded internationally and taken into account when national targets are calcu-

Attention has focused on carbon dioxide, because it is the most important green-

sured. The market for tradeable permits in CO2 could be sizeable, although it is likely to diminish in time as it proves successful in reduc-

One estimate, published by the Electric Power earch Institute, puts the value of permits at \$13,000bn by 2050. Another estimate, by the World Bank, suggests the value of outstanding than governments, are best permits will be \$150bn by

There is already an appetite for experimenting on a small, local scale.

Uncted, the United Nations Conference on Trade and Development, is helping set up the International Emissions Trading Association, a group of about 60 multinational companies and environmental organisahouse gas and because it can tions which are exploring sions trading envisage it be relatively easily mea- the ideas needed to get the

market moving. Already several commod-

ity exchanges are considering making markets in emission permits and a handful of companies have begun to dabble in trading.

Most of these corporate trades have involved investing in "carbon sequestration" forestry schemes, although the companies run the risk that their projects will not be credited by domestic or international regimes when they are fins-

Several countries are considering setting up national emissions trading systems to help them meet their obligations under the Kyoto Protocol. A "greenhouse gas emission reduction pilot" has been established in Canada, driven mainly by the provincial government of British Columbia: · ·

The Norwegian parliament has recommended that Norway uses carbon emissions trading as a means of achiev-

ing its emissions target. The New South Wales authority has also voiced its support for emissions trad-

In Japan the ministry of international trade and industry has set up an organisation to monitor emissions trading as well as initiate emissions reduction projects in Japan.

Finland, the Netherlands, Denmark and France have also expressed interest in emissions trading.

The US is an enthusiastic supporter of the idea, citing the success of its sulphur dioxide trading system, which delivered the required emissions reduction faster and more cheaply than

However, its reluctance to ratify the Kyoto protocol is likely to limit its involvement in an international

Despite the widespread support for emissions trading, there are numerous practical issues to be dealt with. The question of how to allocate permits is particularly difficult.

One possibility is a "grandfathering" method, which would base an organisation's entitlement on its emissions in a particular

Although simple, this approach gives an advantage to incumbents over newcomers and also favours those that have been slow to improve their energy efficiency and those with declin-

Another possibility is auc- cuts.

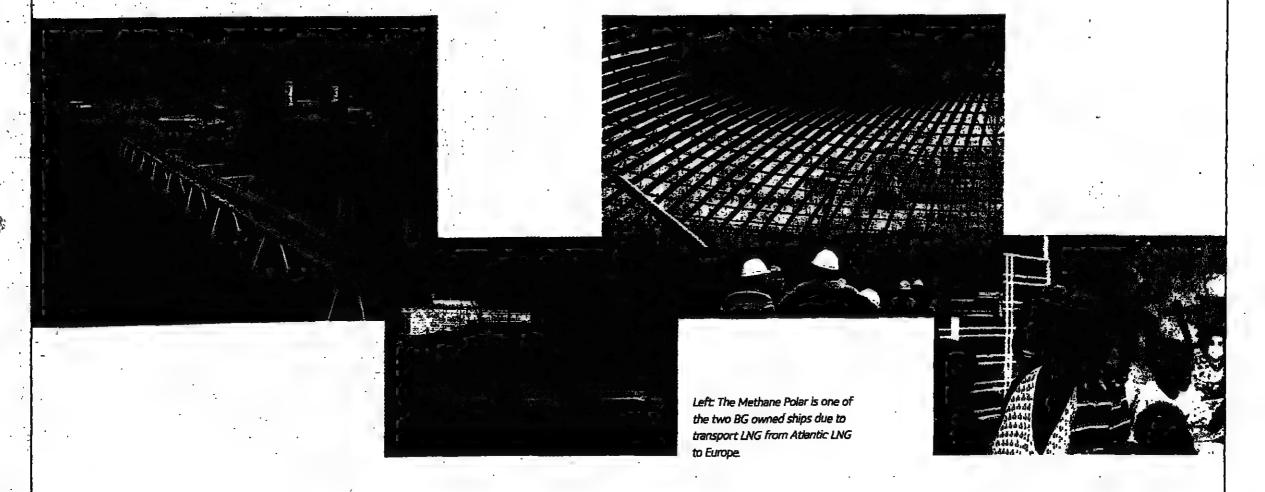
tioning permits, which would leave allocation decisions to the market, rather than the regulator. But this would prove highly unpopuviews it as another tax.

There are also unresolved political issues to be tackled. One concern is that Russia and Ukraine are required only to maintain emissions at 1990 levels by 2010, which they are likely to accomplish with room to spare.

That may mean that countries can buy spare permits from Russia, avoiding the need to make real cuts of

developing and European so-called "hot air" trading will allow countries to get away without making significant domestic emission

# Atlantic LNG first cargo – another BG milestone



BG will achieve a further milestone in its long history of liquefied natural gas (LNG), when the first cargo of LNG is shipped from the Republic of Trinidad and Tobago later this month.

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**BG** International LNG term government policy to

promote cogeneration, includ-

ing setting up a Project Bureau for Hest and Power,

providing grants for demon-

stration programmas and fig-

sibility studies, and strong

support from new electricity

Cogen Europe, a Bruss based inclustry lobby

group with 185 busi-

agrees with Mr de Blok's assessment

of the Dutch suc-

cess. He argues that "policy is

ing the full poten-tial of cogenera-

Simon Minett, director of

Combined heat and power generation appeals state monopolies, best is often to developed and developing economies alike

"Why cogeneration? The favourable prices. answer is simple. The investment in large-scale cogeneration gave us the opportunity to secure the Besibility of a long-term heat source and power prices at a favourable

As project manager of the the Netherlands, Karel de Blokis is in a good position to know. The Delesto 2 plant, a joint venture between Akzo Nobel, the chemicals company, and Edon, the local electricity distributor, came

It links a 350 MW combined cycle gas turbine with process steam for a chemicals complex, giving overall efficiency levels of up to 90 per cent. This comperes with 45 to 50 per cent for an average combined cycle was turbine plant

in a nutshell, these are the attractions for cogeneration, or combined heat and power (CHP) as it is sometimes known; high efficiency, flexibility of electrical and strom Much of Deleggo 2's electric

In the Netherlands, cogeneration as a proportion of the total electricity supply has increased from 10 per cent to more than 30 per cent in little over a decade, matching Denmark and Finland's longterm commitment to heat and electricity stations.

in many other countries throughout the OECD, cogeneration capacity is on the increase, with attractive growing markets in Germany, the UK. Spain and the US.

According to David Greet chairman of the Inter-pational Cogeneration Alliance (ICA), a business coalition, cogeneration provides around 6 per cent of the total electricity mix in the developed world. greater in Europe due to the higher levels in eastern Europe, the Netherlands and

the Nordir countries. in the developing world, industrial consensuation, using natural gas and waste bioharasse from the sugar industry, is an increasingly attractive option.

ity excess is sold to the grid at great deal of best. For large

market allow that to happen." That's an important carrest in regarded as a "waste" product, which needs massive cooling In the Netherlands, according to Karel de Blok, key elements in the rapid growth of engeneration include "a longtowers and very large quanti-

ties of water to disperse. in developing countries, accessing water can be a problem. That is why plant efficiencies have stuck at 35 per cent for a number of decades, only increasing over the last decade due to CCGTs, which have taken efficiency levels up to around 45 per cent, once

able industrial, commercial or residential heat or cooling load (cogeneration can be hesting and also air conditionprofitable product. It has the potential to increase overall efficiencies to between 70 and 90 per cent.

can also be varied, depending on consumer needs, though are heat-led for optima The rapid increase in cogen-

eration over the past decade has largely been linked to changes in the structure of

says: "Whereas electricity utiltarget for cogeneration across ities often regarded cogeneration companies as competithe European Union.

tors, new entrants can make The target, a doubling of money seiling both heat and corrent capacity to 18 per cent electricity, if the rules of the by 2010, was largely set in key rule in reducing carbon dioxide (CO2) emissions Cogen Europe calculates the cost-effective potential to be at

least 20 per cent.

The Commission calculates that cogeneration is the reducing CO2 across the EU, with a cost-effective reduction potential of 150m toppes of carbon, greeter than 15 per cent of the Kyoto target.

The cogeneration industry has also been lobbying for key Directive and the forthcoming Large Combustion Plant Directive to create incen-

tives for cogeneration

Finals points

Generally is Budy to Increase miotos go tistougis.

w UK catacity has doubled to cluse to 4,000 MW in the past decade. A new government target of 10,000-12,000 MW by 2010 is likely to be empurced by the end of 1999.

 US communation output is constitute only 5 per cent of total electricity capacity, The Clinion administration has set a target of doubling this within 10 years.

 Chirm already gets 12 per cent of its electricity supply from coal-based co**generation, stough this** is of privat

e Chille has its own natural gas reserves end is changing regulations to allow excess discircity to be sold to the grid. The unrealised potential i more than 1,000 MW.

e (monte intereste cogumento) besed on biomass products has subtantial acope for growth, and a

supplies by the end of 1999 will

UMALE CONDOCTUDING

CASE STUDY

# Oiling the wheels of change

BP Amoco wants to stand apart from its peers but recognises the dangers of hubris

As the fossil fuel industry has become more deeply embroiled in the global warming debate, BP Amoco has played an increasingly

It was the first large oil company to break renks with the Global Climate Coalition, the US lobby group that opposed the (yoto Protocol.

In addition, it has invested in solar power, set up a pioneering emissions trading system, imposed emissions targets of its own and even spoken out in favour of a

form of energy taxation. Global warming is the dominant public policy iss scing the oil and gas industry, says Rodney Chase, deputy chief

"We are convinced that these issues are of such public concern globally that It would be quite wrong and dangerous for us to ignore them," he says. It has started by trying to

improve its own performance. Last year BP announced that it had a target of reducing its emissions of greenhouse gases by 10 per cent from a 1990 baseline over the 1990 baseline over the period to 2010.
That is equivalent to an

estimated 40 per cent cut from 2010 business-as-usual levels. To help it meet these targets it has introduced an sions trading system, developed with the help of the Environmental Defense Fund, a US-based environmental group. It selected a number of

business units, which cent of BP's carbon dioxide emissions. Each was affocated emission rights for

: CARBON SEQUESTRATION by Vanessa Houlder

# Not yet out of the woods

Deterring the release of carbon into the atmosphere is a controversial concept

Under pressure to control bon is hugely controversial emissions, countries face two options. They can reduce their production of preenhouse cases or prevent those produced from getting into the atmosphere.

Attention is increasingly being focused on the second option, known as carbon acquestration, despite much scientific uncertainty about the mechanisms involved.

"With regard to climate change and lis potential US department of energy said last year.

It is starting a programme of sequestration research, arguing that more rescarch is needed now if viable technologies are to be available in several decades' time.

When researchers consider enchon sequestration, attention has tended to be focused they lock away large amounts of carbon, which is not released until the trees

But there are several other potential forms of carbon a number of oil and gas comnames are investigating methods of separating carbon disrade from other gases and sequestering it by injecting it into oil reservoirs to improve recovery.

Oceans can act as carbon sponges because they contain creatures called phytoplanktons which store carbon droxide, raising the possibility that adding iron to oceans would belp phytoplanktons grow and absorb more carbon dioxide.

However, according to a paper published last year in Nature, the scientific journal, there is likely to be strong opposition to this approach because of the possibility of unforesero chemical and biological conse-

Another controversial idea for sequestering carbon was put forward by the US at a recent meeting of the I'N's Intergovernmental Panel on Climate Change. It suggested counting iandfills as "carbon sinks" under the Kyoto pro-

Although kindfills are usually seen as a problem because they emit methane. an important greenhouse gas, new evidence has suggested that they may be an effective store of carbon because most of the carbon in waste paper and wood takes such a long time to

In comparison with landfill sites and ocean manipulation, the idea of planting trees to store carbon might appear a straightforward option, indeed, the idea has

many supporters. Even before the Kyoto Protocol was agreed a number of companies had struck issue next year. But for the deals with plantations in the moment, serious doubts hope they could secure car- remain about the wisdom of bon "credits" by growing storing as much carbon as additional trees. Nevertheless, the proposal in the Kyoto Protocol that forestry

concerns the way sinks are described in the protocol. Countries are allowed to achieve their commitments by deducting from gross emissions the greenhouse gas emission absorbed by "direct human-induced land use and forestry activities limited to afforestation, reforestation and deforestation The Worldwatch Institute

impacts, carbon sequestra- in Washington voiced contion could become a leading cern: "At least, as it is presently structured, the Kyoto Protocol appears to favour piantation development at

The institute is disturbed by the protocol's emphasis on active management of plantations make as effective

ing plantations are better carbon sinks than the apparently more static natural forests, the total amount of carbon stored is usually greater in the natural forest with its larger trees and richer soils. Another strand of the criticisms of using forests as a carbon sink concerns the degree of scientific uncertainty about the subject. This is underlined by the dif ficulty faced by scientists in

dioxide now produced.

Last October the journal Science published contrave sial research suggesting that trees in the US could be sucking up nearly all the 1.6bm tonnes of carbon dioxide that is pumped into the almosphere every year.

pussibility is that some of the carbon is being absorbed by young trees in areas cleared in the 19th century that have since been reforested. The increasing abundance of carbon dioxid might be increasing the growth rates of the forest.

sinks would not be lung term. When a forest matures its emissions of car bon can grow to exceed the amount it absorbs

happen to the ability of the sinks to absorb carbon as the world sets warmer. Climate related stress may have a serious impact on trees. A forest that is a net sink today may one day

Indeed, research by the NERC Institute of Terrestrial Ecology in Edinburgh has suggested that after 2000 the world's vegetation and soil will become a source of carbon, releasing about 2bn tonnes of carbon into the atmosphere a year.

Some of the controversy may be resolved after the rnmental Panel on Climate Change reviews the

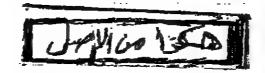


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The Control of the

The company said trades would be conducted through a broker in BP's oil trading arm. Environmental performance would be externally audited and the results

reported publicly each year. The scheme was launched last September. Soon afterwards the first trade took place when the Foinaven field bought 100 permits, representing 10,000 tonnes of carbon dioxide, from the Forties Pipeline System at a

price of \$17 per tonne. On a wider level, BP Amoco argued in its evidence last year to the Marshall committee, the UK government taskforce on business energy use, that emissions trading and voluntary agreements were the most economic and effective way to curb

greenhouse gas emissions. When the Marshall report came down in favour of taxes, the company, which had initially been opposed to fiscal measures, entered the debate again, arguing for

"targeted" taxes." it conceded that a well designed energy tax could provide incentives for business to change behaviour. It proposed giving companies targets for

emissions reductions. They would then be taxed on the amount by which the target was exceeded or, alternatively, they would be given a tax break if they exceeded their target.

Mr Chase acknowledges that this scheme would probably be too complicated for small and medium-sized companies, but he does not believe that it would be unduly cumbersome for larger companies.

The UK government, which announced it was introducing an energy tax in February's budget, has yet to elaborate on its plans. But it is currently consulting with large companies about mechanisms by which they could reduce their emissions, in return for paying a reduced rate of tax.

Pressure groups are less enamoured with the company's position on the emissions reduction debate. Although its stance on global warming has been praised by some environmental groups such as Friends of the Earth, Greenpeace, the environmental pressure group, is campaigning vigorously against its exploration work on the Atlantic frontier.

BP Amoco is aware of the fine line it is treading, especially with other oil companies. Being seen as the greenest in the industry is "full of latent hubris", says Mr Chase, "I don't think it would be a good thing to set a goal of getting so far ahead of the rest of industry that you have no influence over events,

Vanessa Houlder

NUCLEAR POWER by Andrew Taylor ...

# Fission fans under attack

Nuclear producers are losing the debates over cost and environmental soundness

The nuclear power industry is in retreat as the twentieth century comes to a close.

Atomic energy, once the great hope of governments eeking "clean" cheap power to forge stronger industries and build a more comfortable life for their citizens, has fallen into disrepute.

Supporters of the energy souce have been left battling and plentiful, accounts for against a broad front of environmental, political, safety, commercial and economic concerns

Nuclear accidents at Three Mile Island in the US in 1979. and Chernobyl in Ukraine in 1986 have undermined public confidence in nuclear plants. as clean, cheap, safe, reliable nower producers. Public worries about spent

fuel and leaking east European power stations carry most weight in rich western countries. But the sector faces other problems too. The economics of electricity production have shifted

in recent years away from

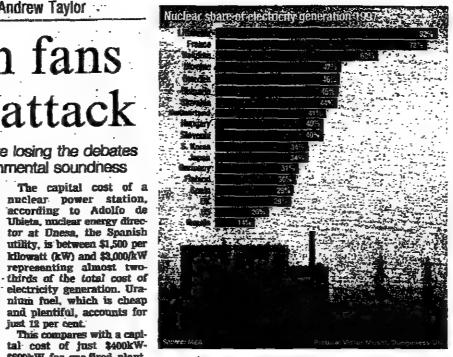
nuclear power towards gas.

nuclear power station, according to Adolfo de Ubieta, nuclear energy director at Unesa, the Spanish utility, is between \$1,500 per kilowatt (kW) and \$3,000/kW representing almost two-

just 12 per cent. This compares with a capital cost of just \$400kW-\$600kW for gas-fired plant, accounting for under 20 per cent of the total cost of power. Fuel accounts for

almost 70 per cent. investors in nuclear reactors therefore face a huge upfront cost for a plant that might not be completed and income producing for up to

Gas plants by comparison, are much cheaper and can be completed and income. producing in under two years. The main economic advantage that nuclear plant has over gas - the lower cost



North American nuclear

power companies could

count on contracts in devel-

oping countries to offset fall-

ing order books in their

nuclear power, such as

China, Japan, South Korea

and India are expected to

scale back expansion plans

in the face of currency prob-

lems, lower growth forecasts

and other economic strains.

home markets.

of uranium fuel - has also been eroded by the fall in gas and and off prices.

According to the Uranium Institute, 30 nuclear power stations were under construction at the end of last year - representing less than 1 per cent of the world's total nuclear capac-

Only one new plant was under construction - at Civaux near Poitiers in central France - in the whole of western Europe and North

of Germany, ABB, the Swed- annually. ish-Swiss engineering group. Framatome of France and British Nuclear Fuels (BNFL) also face strong competition from Russin and, potentially, from Mitsubishi, Hitachi and Toshiba, which dominate nuclear power construction in Japan. Russia last year won an

\$800m (£449m) contract to complete a nuclear power station at Bushehr in Iran and has been asked to bid for three other Iranian reactors worth a total of more than \$3bn.

But it is not all bad news for nuclear engineers. The low operating cost of nuclear reactors means that there is a strong economic incentive to keep existing reactors running as long as possible even if no new nuclear plant is being built.

The need to resolve the problems of global warming and reduce greenhouse emis-Previously European and sions is another good reason. say nuclear supporters, for maintaining existing nuclear

Peter Hollins, managing director of British Energy. the nuclear generator and But even countries that the UK's largest electricity are still committed to producer, says nuclear power supplies 34 per cent of Europe's power, saving an estimated 700m tonnes of carbon dioxide from entering the atmosphere each year. Worldwide, nuclear genera-Western nuclear engineerpower, equivalent to 1.8bn reached

ing groups such as Siemens tonnes of carbon dioxide

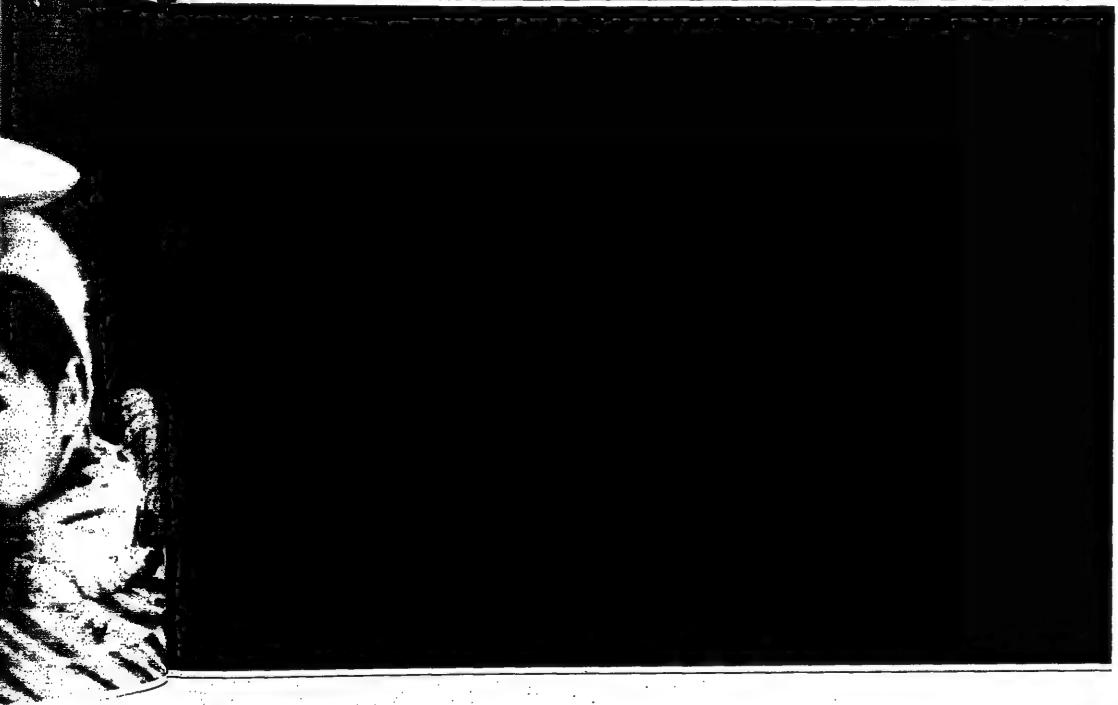
The Uranium Institute, the international association for nuclear energy says: "Whether to apply for relicensing of older reactors will essentially be a decision taken by utilities worldwide on the basis of economics.

"Telling people that they will have to pay more for their electricity and that pending the arrival of renew ables on the scene - this electricity may be dirty is not likely to be a popular option."

The timetable for nuclear closures in Sweden has already slipped badly with the country's supreme court still to decide the fate of the first reactor planned for closure Germany is also strucgling to decide how best to pursue closures following the threat of large compensation demands from power producers and nuclear fuel

Some countries, such as the UK and Switzerland. have already approved extensions to the operating lives of old nuclear plants. Isabel Tocino, the Spanish environment minister, is keen to increase the output and operating life of Spain's existing nuclear power stations despite the country's moratorium on new construction.

For nuclear supporters the best hope is that the bottom tors supply 17 per cent of of the cycle has now been



hen electric current begins flowing into the coastal region of northern Peru, some of the local people may think it's nothing short of a miracle. Perhaps they won't be far wrong.

The Peruvian Energy Commission had been trying to bring power to this remote region for a long time. And they knew all too well the myriad problems inherent in a project of this magnitude.

Fortunately, the local firm heading the project, 'Aguaytia Energia del Peru SRL', found a company that could help provide an ingenious solution to this energy challenge: ABB.

> It's a solution that will utilize natural gas located east of the Andes. The gas will be pumped from the fields, processed, then piped to a 155 megawatt power plant. Electricity from the plant will then be sent via a 400 kilometre power

transmission line across the Andes to the coast, thereby supplying the area with the much needed energy from Peruvian resources.

It's the kind of solution only a team of dedicated individuals with multi-cultural perspectives, multi-disciplinary expertise and global and local orientation working together could create.

> And, if for one particular group of Peruvian farmers, ABB's ingenious engineering qualifies as a miracle, that's OK with us.

> > INGENUITY AT WORK



NUCLEAR POWER IN GERMANY

# The trouble with decommissioning

Clumsy attempts to outlaw nuclear power have angered representatives of all camps

Chancellor Gerhard Schröder came into office last year promising Germans that his new Social Democratiled government would not "do everything differently" but that it would do a lot of things better than its predeceasor. To anvone working in the country's energy sector the chancellor's promise must now seem like a bad

The two main elements of the government's energy policy are a commitment to phase out nuclear power, which currently provides around one third of the electricity used in Germany. and to restrain consumption by the imposition of an "eco tax" on energy usage.

The tax, which the government says is not just a measure for protecting the environment but also a means of reducing Germany's high labour costs, as income from the surcharge will be used to cut social security contributions, came into affect on April 1.

Both policies bear the fingerprints of the Greens, the junior partner in Mr. Schröder's coalition. And both have been criticised. not just by the energy sector but also by economists and members of both governing

In the case of nuclear power, the government's initial attempt to press ahead with legislative changes which would have severely worsened the operating environment for industry sparked the first sionificant solit within Mr Schröder's cabinet between hardline Greens such as Jürgen Trittin, environment minister, and pragmatists such as Werner Müller, the

economics minister. Mr Trittin wanted to force the pace of withdrawal with legislation which would have significantly increased costs for reactor operators by raising insurance premiums and tightening Germany's already notoriously strict

safety regulations. Mr Müller, a former energy industry executive who holds no party affiliation, wanted to follow a less confrontational course and win the approval of industry through a series of "consensus talks".

The row was not just confined to the cabinet table in Bonn. Mr Trittin's plans to enforce a swift end to the reprocessing of German nuclear waste by companies in France and Britain threatened to damage relations with two close European allies.

Mr Schröder was able initially to restore calm by backing down. Mr Trittin's proposed legislative changes were postponed as Mr Schröder made clear that the government was not prepared to foot the costs of

an excessively hasty exit from nuclear power. According to Industry, these could have run to several billion D-Marks In damages for the breach of

reprocessing contracts.

But the chancellor's

attempts to follow a more moderate approach of an "entry into an exit" from nuclear power have failed to placate industry. Last month, representatives from Germany's main reactor operating companies walked out of the consensus talks in protest over plans by the then finance minister, Osker Lafontaine, to tax reserves set aside for the decommissioning plants.

The dispute over tax has out Mr Schröder's plane for an orderly, pain-free retreat from nuclear into doubt. If no agreement can be reached with industry then the government has said it will simply force the issue with legislation, Such a move could be expensive as the big energy groups, such as RWE, Veba and Viag, say they would then take legal action against the

Analysts still doubt it will go that far. The most likely compromise remains the one Mr Schröder has consistently backed, namely that in the short term a handful of the country's 19 reactors would be shut down while the rest would be allowed to run for around

Such a deal would benefit

both sides. The actual decommissioning of reactors would allow the Greens to claim some success. Guaranteed longer life-span: for reactors would give industry a secure earnings stream from facilitles which have long been amortised. And industry also hopes that stretching out the process of decommissioning will keep the door open for a policy reversal in the future when opposition to nuclear power may wane, and the pressure to cut fossil fuel emissions to meet

The "eco tax" is intended as a start. But many see it as inherently flawed. Exemptions granted to big industrial users mean that its impact is likely to be muted. The linking of "eco tax" income to social security contributions is seen by government economic advisers and some Greens as a recipe for future problems.

internationally agreed levels

becomes more acute.

"It is unbalanced to try and link something you want to reduce - energy consumption - with something we all know is set to increase as demographic factors raise social security spending," said one Green

Frederick Stüdemann

INTRODUCTION by Robert Corzine

# Local economies develop taste for foreign money

Across the region, governments are changing tack. Gone are the days when they would turn away foreign investment. Indeed, in many cases they are now going out of their way to welcome it

Mark Moody-Stuart, the hard as they can," says Gary chairman of Royal Dutch/ Shell, the Anglo-Dutch oil group, began a recent swing through the Middle East with a visit to Kuwait, Upon arrival his hosts greeted him with the words: "We see you are going to Saudi Arabia When he reached Rivadh on the second leg of the tour, his Saudi hosts had a similar welcome prepared: We see you have just been

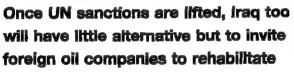
Mr Moody-Stuart's experience illustrates the high stakes that countries in the region are playing for as they move at varying speeds towards what some hope will be an eventual full opening of their energy sectors to foreign direct investment. As with most things in the Middle East, the process of opening the oil and natural gas sectors of some of the largest reserve holders in the world has not been particularly transparent. And it is not even certain that it will happen in all cases. But the prospect of access to some of

Ross of Pira energy consul-tants in New York City. "But even with those incentives the world still needed more Opec oil. It's simply a matter of who has the reserves."

Gaining access to such low cost reserves has become a management mantra in the boardrooms of the biggest why should the countries of the region be so keen on foreign capital, given that most of the region's oil can be produced relatively cheaply and simply with little need of the high technology equipment that is required in areas much as the North Sea? In the case of Iran and

Irao, there is simply no alternative. Iran's oil and gas infrastructure has been starved of investment for 20 years. The government's high dependence on oil revenues for hard currency and to fund state expenditures means there is little left for the industry.

The "buy-back" programme now underway is a



and expand its oil and gas industry

reserves in the world has tantalised both big and small international oil companies, which are busy opening or reinforcing offices in the

To understand why such an uncertain process has generated such intense excitament one needs to go back and eramine the recent are attractive - in some history of oil production trends outside the the Organisation of Petroleum Exporting Countries. In recent years billions of dollars have been spent in ment and national oil comexploring increasingly remote or technically chal-

lenging areas of the world. Although non-Opec proa result, most forecasts sugto squeeze the orange as in most producing countries

INTRODUCING

**Financial Times** 

Energy Conferences...

eign investment into the strategic sector without violating the requirements of Iran's constitution, which bans foreigners from "owning" Iranian oil reserves. have responded enthusiastically, not so much because the terms of buy-back deals cases they are not - but because they hope to use the initial contracts as a basis

for more enduring relation-

ships with Iran's govern-

Once United Nations sanctions are lifted, Iraq too will duction has risen steadily as invite foreign oil companies to rehabilitate and expand gest that in the coming its oil and gas industry. decade non-Opec will strug. Unlike Iran, Iraq has no conpast 10 years non-Opec has ing contracts - the usual forhad every financial incentive mat for foreign investment



cluded or are ready for sign-

But in the case of Saudi Arabia and Kuwait, the two big Gulf Arab producers which have so far resisted foreign investment in their upstream oil sectors, the economic logic appears less clear, with political consider-ations likely to play a more important role in any eventual decision.

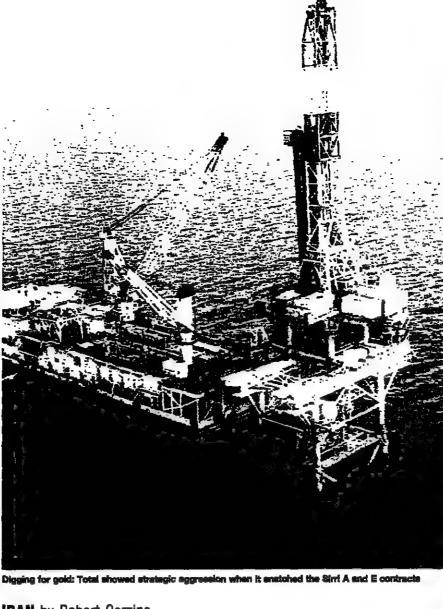
Foreign oil executives an economic case for outside investment. In the case of Kuwait, says one European oil executive, a valid argument 20 years ago would have said: "We have huge reserves that are an appreciating asset for future generations, so why should we allow foreigners to become involved."

But he claims that argument is no longer valid. The advent of increasingly tough environmental legislation around the world, the requirements under the Kyoto Protocol to reduce greenhouse gas emissions, the displacement of oil by gas in power generation, and International companies new energy technologies, such as fuel cells, all threaten to undermine the pace at which demand for oil will grow. Given real price trends, it could be argued that oil is a depreciating

Some have argued that in the case of Kuwait, a direct presence by US and European oil companies would cement crucial defence ties and enhance the state's have little alternative but to long-term security. A similar argument is sometimes advanced for Saudi Arabia.

But others might view the opening of the two countries' gie to keep up with growing stitutional restraints, and a upstream sectors as an world oil demand: "For the number of production shar-admission that oil prices might not stay high for ever, and that they are preparing

FENANCIAL TIMES



IRAN by Robert Corzine

# Investors walk on eggshells

The buy-back system, unpopular with many foreign oil companies, is thought to be under review. But putting money into the country still demands a mix of courage and delicacy

isolation has generated widenational oil companies, also known to be tough, and although the proved slower than many on both sides had hoped.

offered a wide selection of onshore and offshore projects, ranging from exploration to large scale rehabilitation of big, mature fields. In recent weeks several deals – from projects offered under a 1995 tender - have been announced, including the Doroud and Baial fields, both of which will involve Elf Aquitaine of France.

The competition to enter Iran has drawn interest from both big and small oil companies. In some cases, the iranians appear to be using the true intentions of their bigger brethren. But in some projects smaller foreign oil companies have gone head to head with large, integrated groups, much to the annoyance of some executives from the latter: "Big Iranian oil fields should be

'No one wants to be accused of giving

anything away'

nies," says Christophe de Margerie, head of Total's Middle East division.

Certainly some smaller companies have had trouble raising the finance to push Iranian projects forward, Bow Valley, a small Canadian independent, struggled the Balai development. Its original Indonesian backer pulled out of the deal earlier this month. Such companies rely to an extent on project finance to help support such schemes, and it has become international debt obliga-

But many in the oil industry assume that, in common with most other developing countries, Iran will prefer a mix of different sized compa-

the latest round of proposals a senior executive at another is proceeding is probably European company,

The opening of Iran's oil tors. The technical aspects of industry to foreign invest- more than a few proposed ment after almost 20 years of projects are complex, and take substantial time to sort spread interest among inter- out. Iranian negotiators are amount of last-minute "nickel and diming" going Last year the Iranians on in individual deals: "No one [on the Iranian side] wants to be accused of giv ing anything away," says

> den shifts in the terms on offer have also been reported by some foreign companies. Political backing in Iran for the buy-back programms may also not be as solid as some had thought: "The political system is not as sorted as we had hoved

says one European chief

There have also been signs

executive.

that Iranian priorities may have shifted since the conference in London last July at which more than 40 projects worth more than \$5bn were unveiled. There have been certain recurrent themes, such as the development of offshore fields at the periphery of Iranian territorial waters or onshore fields near land borders. The development of the giant South Pars offshore gas field, which is shared with Qatar, where it is known as the North field and where substantial production is already under way, has also

been a priority. But some foreign companies believe the emphasis is shifting now towards onshore development, where the payback period for Iran may be shorter and the direct benefits more easily realisable, especially in a low oil price environment.

There may also be some new thinking about the buyback mechanism in general. Many big western companies find it irksome, compared with the production sharing fell victim to the Asian contracts that are available financial slump while its in most other producing replacement, Premier Oil, countries. "The buy-back is good when there is great sensitivity about national sovereignty," says an official company. "But you have to harder to secure given Iran's ask whether it is wise to patchy record meeting take the whole oil price risk," as the Iranian government does under the buyback mechanism. Other executives are more

blunt in their assessment: "The seven-year rent or fee that the foreign oil companies earn through buy-backs The slow pace at which is not attractive at all," says Iranian officials point to

the evolutionary nature of Iran's opening to foreign investment, and suggest that terms will become more flexible over time. But in the interim they seem to be enthusiasm of foreign oil companies to develop strate- not do."

# Eagle eyes deny rapacious bent

Bold entry into war-torn Gulf countries gave Total a headstart on US rivals

Total, the French oil group, has made operating in politically sensitive countries something of a speciality. The company's long-term cultivation of its relations with Iran is a case in

Total's policy came under the spotlight in 1995, when it stepped in to take over a contract to develop the Simi A and Sim E fields in the Conoco of the US. Total's planned investments in Iran which included the \$2bn South Pars offshore gas contract signed in 1997 tween the European Union and the US, which after the ssage of the controversial ran-Libya Sanctions Act (lisa) threatened to apply unilateral sanctions against the company. The threat was withdrawn in May 1998 when Washington issued a waiver to Total as part of a wider understanding between the US and the

Senior Total executive Insist the high-profile episode was not merely an example of opportunism by the company: "We were not iust vuitures," says Christophe de Margerle, the president of Total's Middle East division. Total's quick reaction had nothing to do with Conoco or the State Department", Rather, it was

the result of a long-term strategic policy to target the Gulf, where the company has long had a significant presence, and which accounts for a big portion of the company's oil production.

"At the end of the Gulf War nobody wanted to invest in the area," said Mr de Margerie. "So we decided to be active in countries such as Iran, Iraq and Qatar." He insists that Total did not deliberately target iran and iraq because they were out of bounds for US competitors: "Historically, we've used our competitive position

Americans could or could

1979 Islamic revolution. Between 1954 and 1979 Total had a six per cent stake in the foreign oil consortium operating in the country, and was lifting etween 200,000 and 360,000 barrels a day. Mr de Margerie says Total

is keen to expand its presence in Iran, aithough he has been critical of some aspects of the buy-back arrangements which govern foreign oil investment in the country.

He believes the contract duration is too short for many oil companies, and companies able to operate the fields for a longer period. At present foreign operating ends when a field is

Total would also like to see more flexibility introduced into contracts especially in those that cover big enhanced oil recovery projects: "When it comes to big, anshore, mature fields which need complex enhanced oil recovery, how can you say in advance what is needed and what is best for us and Iran? We need more flexibility. We need the

capacity to change." Total has also found that at times Iranian officials are reluctant to take decisions or to assume personal responsibility for them. That, Mr de Margerie believes, is In part a carryover from the solation in which the industry has operated for many years: "Iran has been out of the international oil business for 20 years. They've missed the opportunity to exchange views and ideas. As for eventual US hvolvement in Iran. Mr de

Margerie says he would welcome it, especially the presence of US oil service companies and contractors. He says their absence from the Iranian market means foreign companies operating there are burdened with higher development costs

Robert Corzine

SAUDI ARABIA by Robert Corzine

# Kingdom calls in US

The government is courting new suitors from abroad only months after rejecting a proposal from Eni of Italy

certainly be the feeling among senior executives from Eni, the Italian energy group, which in November 1997 proposed to Saudi Arabia that it belo fund the expansion of the kingdom's natural gas industry.

At the time many of Eni's competitors scoffed at the idea. So too did Ali al-Naimi, Saudi Arabia's oil minister, who told an energy conference in the Red Sea port of Yanbu that the kingdom was not only uninterested in any gas export schemes; it was domestic gas resources without the help of foreign companies

But last September, after Crown Prince Abdullah from the leading US oil companies for a meeting in Washington DC to discuss ways in which they might help the kingdom to develop its industrial base, the industry consensus was that gas developments would be the most politically acceptable way forward, and would feature prominently in foreign

Although there was no specific promise that foreign companies would be allowed a role in exploring for or producing Saudi Arabia's oil and gas reserves. Crown Prince Abdullah's blessing for greater foreign involvement in the kingdom's energy sector triggered a flurry of speculation about Riyadh's true intentions.

David O'Reilly, executive vice-chairman of Chevron, the US oil company that drilled the first successful oil well in Saudi Arabia in the 1930s, believes the domestic debate over the extent of foreign involvement is at "a very early stage, with people outside the kingdom putting

Timing, they say, is a more aggressive interpreta- able. tion" on Saudi Intentions. Even so, the Saudi initiative appears genuine and serious: "They are desper-

ately seeking foreign investment as a country," says Mr O'Reilly. Other foreign oil executives believe that need for investment has beloed shift the opinions of some top officials, to whom "it is embarrassing to go cap in hand for help from the international oil industry". Advocates of change argue

that the very low oil production costs in the kingdom are more a function of high production from relatively few, very large fields, than from Saudi Aramco, the state oil group, having a firm hold on its cost base or exploiting the best technol-

Although Saudi Aramco has been run along commersome other state oil companies in the Middle East. where domestic political concerns are paramount - it operates to some extent in isolation from the mainstream oil world. The ease with which most Saudi crude oil is produced means it has not had to stay at the cutting edge of key technologies, such as new drilling

commercial creativity in selecting future projects.

But in the past Mr al-Naimi has argued that Saudi Aramco's financial standing is such that it could gain access to capital at even groups. The fact that Saudi commercial way than many region also means it may be

Most foreign oil companies have been reluctant to discuss the types of proposals they are putting forward, but it seems logical that most would be framed in a way that does not directly challenge Saudi Aramco's leading role. Nonetheless, some companies report that a wide range of ideas have been rebuffed by Mr al-Naimi.

One western executive believes Saudi officials will struggle in the coming months to balance their loyalty to Saudi Aramco and the need to assess specific foreign proposals in the context of the overall, long-term needs of the Saudi economy. Some say there will need to be progress in selecting projects in order to maintain the present level of foreign

The original invitation by Crown Prince Abdullah carried a strong strategic message, especially as it was directed exclusively to the biggest US oil companies. In the ensuing months the list of potential participants has been widened to include several European companies, such as Elf Aquitaine, BP Amoco. Total and Royal Dutch/Shell

But there is still a percep-Critics say the absence of tion that Saudi Arabia would competition has also dulled like to see commercial relationships with US companies commensurate with the kingdom's extensive security linkages with Washington.

It is unclear, however, how quickly the process will evolve. The recent rebound cheaper rates than the best in crude oil prices may take. and biggest foreign oil some of the financial pressure off the government to Aramco has acted in a more embark on a policy that, even in such early stages, of its counterparts in the threatens to become heavily politicised, as has already more resistant to changes happened in neighbouring

# Reviving a mercenary

tradition

Depite local political wrangling, western oil companies are in confident mood

role of foreign oil companies his company's cause in has been running in Kuwait Kuwait believes there would for the past four years or so. Earlier this year Sheikh Saud Nasser Al-Sabah, the oil minister, said he had nies bring capital, know-how received approval to move forward quickly with the controversial plan to open

That was enough to persuade optimists that invitations to tender could be issued as early as this year, although others point to the continuing political controversy around the issue as evidence that preliminary debate could rumble on for

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In common with Saudi Arabia, the motivation to allow more direct foreign participation in Kuwait's off exploration and production fledgling parliament: "The sector is complex, with a number of factors at play: "I think they're serious," says one senior European oil executive. "What they really want is a mix of finance. technology and political sup-

The notion that foreign oil companies might develop Kuwaiti fields first surfaced in the aftermath of the Iraqi

invasion. As Kuwait's devastated oil industry was rebuilt, there was talk of allowing companies from countries that played decisive roles in the coalition that liberated the country, to have access to oil fields - especially ones close to the border with Iraq, or in offshore exploration acreage in areas close to Kuwait's marine boundaries.

Such an arrangement, it was argued, would ensure it's not a good thing. that Kuwait's most important western allies would have commercial as well as geo-political interests in ensuring the future survival

of the tiny state. That strategic argument formed a core around which Kuwaiti government technocrats at both the petroleum and finance ministries affixed more technical arguments in favour of foreign invesiment.

Not only would it ease budgetary restraints, but it would also ensure that Kuwait's oil industry was positioned competitively for politics of ignorance," says the next century, with access to the latest technology and production practices. Foreign companies proposed." could also provide access to new markets for Kuwaiti oil.

it was argued. Unlike Saudi Arabia, Kuwait has already identifled the fields which it hopes to offer to foreigners under 20-year operational services

axreements. Five of the fields are in the north of the country and two are in the central region. Their development would production capacity of 2.4m barrels a day by approximately im b/d by about

A serious debate over the who has been championing also be additional, intangible benefits from direct foreign investment: "Foreign compaand engagement. It's like getting a new neighbour."

More cynical foreign oil some fields to foreign compa-executives point to yet another benefit of using international oil companies as a way to raise investment finance: "With us they don't have to open their books as they would have to if they borrowed money from for-

> But what started as a strategic initiative with apparently clear and ostensibly compelling commercial advantages soon became bogged down in bitter political debate within Kuwait's technocrats were stunned by the visceral public and political reaction," says one US executive who has spent most of his career in the

The vehemence of the domestic political debate has caused executives from other foreign companies to be wary about the prospects for early oil investment.

Internally these are very sensitive issues," says David O'Reilly, executive vicechairman of Chevron, which several years ago signed an oil service contract with the government in the hope it would lead to broader involvement in the Kuwsiti oil industry. "I sense that the mood is to open up but that the size and acope has not been resolved. Some thinking [in Kuwait] says

'It's the politics of ignorance. The politicians lust

Others, who decline to be

don't understand what is being proposed'

named, are more blunt in their assessment: "It's the one European executive. "The politicians just don't understand what is being

For some oil companies. Kuwait has been a trying experience. BP Amoco, the UK group, also entered into a service contract in the hope that it would evolve into a direct investment opportunity.

At one stage it looked as though the company might become a victim of its own success. It had put so many of its best people on the projenable Kuwait to expand its ect that some Kuwaitis wondered why they needed to offer BP Amoco anything

Some foreign companies One western oil executive have also found that a wide their resources for them."



The restilence of the Burgan oil field, Kurreit's largest, was vividly demonstrated during the Gulf War when the tract army set it alight. In spite of the large-scale esbotage, the field's output recovered quickly. The same with which oil has been produced at Burgan - where the pressure of which is driven by a bross ecceptor undermeth the oil reservoir - is well known in the industry. But even super-client fields such as Burren enter a mature chose in which they must be intensively managed, especever larger volumes of water enter the depleting oil reservoir. Although Burgain is not one of the fields to be offered to foreign companies, it has benefited from the technical service contracts that Kowelt entered into with compenies such as BP Amoco, Chevron and Total. The contracts were used by the companies to impress on the Kuwett authorities the potential benefits of the latest technology. EP Amoco used its company intranet to tap the expertise of its receivoir engineers worldwide to advise on the best ways to handle the increasing amount of water produced at Burgen

ABU DHABI by Robin Allen

# Diversified assets mitigate oil crisis

Luck and judgment have helped shield the emirate from attack

In very few Middle East related companies under the neighbouring Qatar, if it is states is the power of money so visible as it is in Abu Dhabi. The state is oil capital of the United Arab Emirates (UAE), and owner, according to Obaid al-Nasiri, petroleum minister, of 10 per cent of proven global oil reserves and four per cent of the world's reserves of natu-

The rest of the oil-dependent Gulf states may be floundering in cash-flow crises brought on by low oil prices. But Abu Dhabi is perectly capable of keeping up the pace of development: it has \$170bn worth of liquid overseas assets, nearly twice as much as Saudi Arabia and Kuwait combined, and a total population including expatriates of fewer than 3 million. The future looks bright despite a fall of 40 per cent in the price it gets for its oil compared with last natural gas year, and a self-imposed limit on oil production of 1.8m barrels a day (b/d).

Opec production quotas for the UAE are set at 2m b/ d. But despite having some half a million b/d of idle capacity Abu Dhabi has been willing to act as swing producer for the rest of the country - a policy which allows the UAE's two other oil-producing states, Dubai and Sharjah, to ignore Opec. But even if oil production

and expansion projects are curtailed, other areas of the petroleum industry have not The emirate's International Petroleum Investment Company: (IPIC) is working

on plans to acquire 50 per

cent of Hyundai Oil, South

Korea's refiner, for some At home Abu Dhabi National Oil Company stock. (Adnoc), the state-owned holding company for all 17 and no lack of investment national and joint-venture funds. Abu Dhabi still needs

requirements.

trying to find ways to allow

had to increase its oil sales

overall direction of the Supreme Petroleum Council. announced a fundamental restructuring last November to improve efficiency and effectiveness

Meantime billions of dollars are being spent on exploiting the emirate's huge natural gas reserves to act as fuel and feedstock for its fast-growing petrochemical industries and power

According to Mr Al-Nasiri, proven recoverable reserves of natural gas amount to 6,200bn cubic metres, or some 217,000bn cubic feet.

Global demand for natural gas, according to the minis-

#### Abu Dhabi still needs to import from Qatar

ter, is expected to grow by nearly 50 per cent by 2010. Abu Dhabi's own needs, according to industry specialists, are nearly twice that, with domestic consumption expected to more than double over the next 10 VEHIS.

While aggregate reserves are plentiful, divided roughly half onshore and half offshore, gas in Abu Dhabi's Khuff zone offshore is very deep, dispersed into "pockets" which are hard to get at, with much of it having a high sulphur content, which means more money has to be spent to build installations before it is clean and sweet enough to be used for power and feed-

So despite its vast reserves oil, gas, petrochemical and to import natural gas from to widen its targets of export markets as well as meet domestic needs.

Qatar has more than three times Abu Dhabi's reserves in its North Field area and at depths which are easy to exploit.

In order to meet its agree ment with Dubai to supply it with 800m cubic feet a day (CFD) of natural gas, Abu Dhabi is reported to be considering buying its own concession area in Qatar's North Field in addition to acquiring an existing one. It is also to build a pipeline from Qatar to its own expanded power station at Tawee

Abu Dhabi Gas Liquefac tion Company (Adgas), a 51/ 49 per cent joint venture between Adnoc and foreign partners including BP-Amoco, Total and Mitsui, which has been exporting liquefied natural gas (LNG) to Japan, its main market for the last 20 years, as well as to the US, Italy, and Spain, recently sent its first exports destined for the US on board Adnoc's own tank-

in principle to supply 500,000 tonnes per annum (TPA) of iquefied natural gas (LNG) for 20 years to Enron for its Dabhol power plant in India. Adnoc is also pushing ahead with petrochemicals development. Last November, Abu Dhabi Polymers Company (Borouge), the 80 40 Joint venture between

Last month Adgas agreed

Adnoc and Copenhagenbased Borealis, awarded Germany's Linde and the US's Bechtel a \$820m contract to build a 600,000 TPA ethylene plant at Ruwais, 200 kms west of Abu Dhabi. Other petrochemical projects being considered include an aromatics plant and expansion of Abu Dhabi's fertilisers

IRAQ by Roula Khalaf

#### cratic level, with whom they Death by sanctions can converse easily and who see any opening of the sector within a wider industrial

Did Washington spike the sector's recovery programme?

focus of some members of the ruling Al Sabah family. sanctions imposed on Iraq sight years ago were lifted But the lure of low-cost reserves keeps companies coming, even those which, tomorrow, the Iraqi oil secunlike BP Amoco and Chevtor would require tens of bilron, had little previous expelions of dollars of rehabilitarience with Kuwait's tion to generate the funds needed to rebuild the rav-

capacity dropping.

agreed at the end of 1996 to

in the past seven years due

prices, Iraq has not been

able to lift six-month export

of which is for domestic con-

According to a report by

the UN, the predicted decline

the range of 4 to 8 per cent.

of the industry to treat crude

wells have ceased produc-

tion in the north and south

20 per cent of wells are irrep-

tion if appropriate spare

parts were provided.

sales bevond \$3bn.

sumption.

installed.

unstream sector. Conoco of the US used a refining seraged country. vice contract as its entry Sanctions, of course, are not about to be lifted, point into the country. Others, such as Lasmo, the UK despite the erosion of support, especially in the arab oil independent, have opted for a private sector world, for measures that hurt the Iraqi population far approach: it has formed a joint venture with a Kuwaiti more than the regime they ere supposed to target. commany. .

The exact role of the So, as fraq grapples with Kuwaiti private sector in the life under sanctions, it finds process is thought to be one that its oil industry, which of the issues still to be dominates its economy and used to account for virtually renotund. As for nationalist sensitiviall foreign exchange revenues, has gradually sunk into a lamentable state with

ties, some western execu-tives believe they are overblown: "Gulf Arabs are used to a mercenary tradition," savs one American oil man. "In the past, others have often come in and managed

gulf exists between govern-

ment attitudes at the techno-

and economic political con-

text, and the more internal

If the United Nations tion for Iraq to spend on The controversial UN spare parts, with the first arms inspectors' commis-\$300m approved six months zion, Linscom, however, sava that after seven years of

ago, but approval of contracts and delivery have been exceedingly slow. So far only \$10m to \$15m worth of spare parts have arrived Saybolt predicts that an increase in production levels is unlikely before March. 2000. Although the US has

now speeded up approval of contracts, diplomats say Washington last year was deliberately delaying approval of parts that could restore the industry rather than give it a temporary ability to raise production. The Iraqi regime, which has always objected to the

that the US and Britain want oil wells watering out and to substitute it for a lifting of sanctions, never ceases to Sanctions deprived Iraq of make plans for its industry all oil exports until Baghdad in the post-sanctions period. The government wants to an exemption allowing it to raise production to 3m bpd

six months after the end of sell \$2bm worth of oil to buy food and medicine every six the embargo and to 3.5m bpd. months. Last year the UN within two years. With tens of billions of dolsecurity council agreed to increase the oil-for-food deal lars needed to revive the oil sector, the government has Because of the damage tried to win political support inflicted on the oil industry for an end to the embargo by

to the lack of spare parts huge potential oil deals. Iraq's oil industry was and given the slump in oil nationalised in the 1970s, but the government has started to offer production-sharing While before the Gulf war agreements in discovered total production stood at fields. In 1997 it signed a deal 3.07m barrels a day, producwith Russian companies to tion today is estimated at develop the West Qurna

dangling the prospect of

about 2.5m b/d, 550,000 bpd field. Chinese companies won a contract to develop the Al-Abdab field and France's experts at Saybolt Nederland Total and Klf Aquitaine are BV. which was contracted by believed to have been in talks with the government to in the overall oil production develop two fields in the capacity of Iraq has been in south of the country.

These deals, however, can it says production is being only go into effect and help lost to wells that are develop the Iraqi industry watering out and the ability when the sauctions are lifted. Not surprisingly, Rusoil prior to export is limited sia, China and France have because crucial spare parts tried to push for an end to have yet to arrive and be sanctions, leading to severe splits among the five perma-A significant number of nent members of the UN security council.

The US and Britain condue to the lack of water tinue to oppose a lifting of removal facilities, and about sanctions and will not allow any funds to fall into the anably damaged. The others hands of the Iraqi regime. could be returned to produc- According to UN resolutions. the sanctions can only be removed when Iraq is The UN security council declared free of weapons of has agreed to a \$600m alloca- mass destruction.

the strict rules of ollylor-food US and British raids in are scrutinised by the UN studying the hun by a UN committee.

The paralysis on Iraq polwhich deepened following last December's four-day US and British air raids, has led inspections Iraq has not yet members to agree to form a panel to look into the state complied with disarmament of disarmament and how arms inspectors may be sent Instead of looking at a lifting of sanctions, the US is

back to Bagbdad. lraq refuses to let them in, and alleviate the suffering of report to the UN security the population, but under council which triggered the

in which all export revenues December. Other panels are and all contracts approved situation in Iraq and the accounting for Kuwaiti prisoners of war captured in icy in the security council, Iraq's ill-fated 1990 invasion. Where UN policy on Iraq

> goes from here will depend on the recommendations of the panels, in particular the disarmament group, which report back in April. But whether their results

lead to an easing of sanctions, raise Iraqi production since it it was their negative and allow reinvestment in the Iraci oil industry is far

#### FINANCIAL TIMES SURVEYS GENERAL INFORMATION

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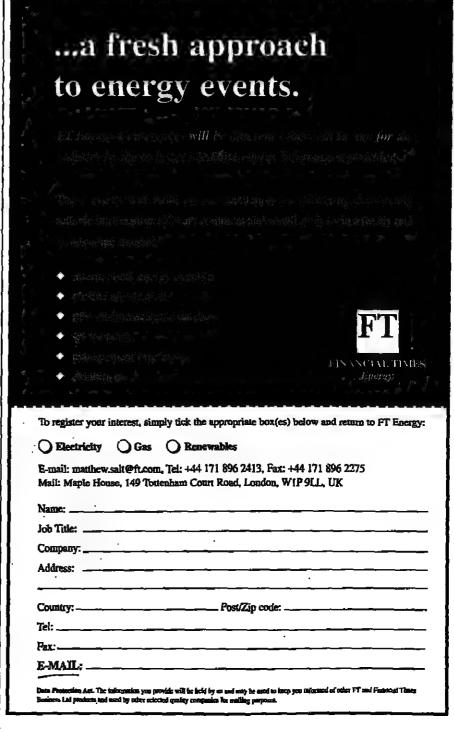
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1997 1996 04

8.9

**Sectricity production** 

**Bectricity prices** 

This new section of statistics on mergers and acquisitions activity, and energy prices and production aims to keep the industry observer up to speed with current trends. Each subsequent edition of the quarterly FT World Energy review will contain a similar spread of up-to-the-minute data from across the industry.

MERGERS & ACQUISITIONS by Andrew Taylor

# US and Europe plug into Asia Pacific

The first of a new quarterly update of M&A activity in the world's electricity markets, with data supplied by PwC

Further sightings of green shoots of recovery in Asia have emerged with figures showing an increase in international investment in the region's electricity industry. The statistics compiled by

the global energy and mining division of PwC, the international accountants. reveal that cross-border acquisitions and strategic stake building in Asia the first three months of this

total value of deals in the region for the whole of 1998. The previous year international acquisitions in the

Simon Allen, Ruronean financial advisory services, save increased spending on acquisitions during the first Asia Pacific region following the economic troubles in late 1997 and 1996".

The region topped the inward investment table durboth total value and number four times the total value of of deals concluded.

The biggest of the 10 deals completed in the region involved the sale for \$1bn of a 5 per cent stake in Korea Electric Power Corporation power sector reached \$12bn to institutions from the

Ania Profit 15.6kg

head of utilities at PwC's quarter of this year "indi-cates renewed interest in the

> series which will be undeted in subsequent quarterly edireview. Privatisation and liberalis ation of global power markets has prompted a surge in cross-border acquisitions and strategic stake building

> > The largest deal in the first three months of this year involved the acquisition of Una Energieproductiebedtiff, one of four Dutch generators, by Reliant Energy of the US for a total cost of

European electricity compa-

mainly by US and

Warldwide there were 20

cross-border deals in the

power sector with a com-

ined disclosed enterprise

This represents almost

completed deals at the same

stage last year, says PwC. Its

statistics will form a regular

value of \$8.3bp (including

acquisition of debt).

tough competition from rival bidders, thought to have included Texas Utilities, owner of Restern, the

PwC expects further large cross-border transactions to be made in European Union. countries which, under an BU directive triggered in February, must open just over a quarter of the community's power market to mpetition. International acquisitions

in the European electricity sector almost doubled to more than \$20bn last year. Cross-border acquisitions worldwide increased by almost 36 per cent to \$49.7bn. Ruronean bidders accounted for 59 per cent of value during 1998. US bidders accounted for another

US electricity markets are also in the process of being liberalised which has encouraged European utilitransatlantic trend of US power companies making

WORLD ENERGY 8 STATISTICS

National Grid, the UK power transmission company, made an agreed \$1.03bn bid for Eastern Utilithe Amochition of the US in the first quarter, following up its \$1.6hm agreed hid for New England Electrical Systems at the end of last

Both offers have still to be approved by US authorities as has Scottish Power's \$11.8bm agreed purchase of PacifiCorp also made

North American power companies remain very active in international man bats and were represented in nine of the 20 deals concluded in the first quarter. These accounted for more than two thirds (\$5.6be) of the total value of transactions. European bidders were involved in five trans-actions with a total value of

CD, 1988				
Philips (flat comme)	Bidder militarnity	Target (full current)	Turget resionality	Elici valus (Sint)
Indian Brangs	SHR ·	ling Baurgiaprotectiededrijf (100%)*	Helherlands	2,400.00
Dalle Entry	<b>JB</b> .	Endosa (Chile) (51%)	Dia	2,107.46
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	陳 :.	Onjurat Terrest Energy (48,34%)	ledie .	254
	THE .	Scopie Energy	Assirate	223.00
	100	Buildre Hetrickipie e Servitor (42.8%)	had	215.63
Electricidade de Pertugal -	Pedagal	CEM (1254/6%)	Maatu	71.23

Privatiuntion and liberalls stion of power markets in Latin America continues to attract strong interest from US and European utilities pite economic difficulties in the region.

The second biggest crossborder deal in the first quarter involved Duke Energy of the US which has hid \$2.1bm for a 51 per cent stake in

Endesa of Chile. The quarter ended with shareholders in Enersis, Chile's largest electricity company, voting to change shareholding rules, which should open the the way for Endesa, the Spanish power utility (no relation to the Chilean Endesa), to double its 32 per cent stake in Ener-

sis, through a \$1.45bn offer.

The market is now waiting to see whether the Spanish Endesa, through Enersis will make a counter-offer for the bid by Duke. Enersis already owns a 25 per cent stake in the Chilean Endess. Total cross-border spending on power assets in south and central America during

12.9

15.5

12.1

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VIEWPOINT

# Cycles, trends and graveyards - spot the difference

If analysts and oil companies persist in assuming every new price correction marks the start of a new trend, they will keep digging their own graves

Small imbalances in oil supplies and demand on algnificant changes in prices in this respect oil is a raw in 1996 oil prices shot up.

The price of Brent (the North See benchmark crude) rose from a low of \$16.15 a berral to a peak of \$25.22 a berrel in that year - a rise of 56 per cent. All that happened was an mend which the industry was unable to meet from

in 1998 of prices sed. The price of Bren fell from \$16.15 a berral on 30 January to a trough of \$9.21 on 10 December, a decline of 43 per cent between the two dates. The cause excess supplies due to miscalculations on the part of oil-exporting

Towards the end of 1997 they mistakenly thought that the strong demand of previous years would prevai and justily increases in production. Alas, the Asian economies were collapsing at the time. And Asia had been the engine of growth for oil demand during the past 12 or 15 years. The economic origin

affecting this critical region was bound to have a devestating effect on the world petroleum merket. And

many professionals in the oil industry tand to interpret any significant price movement as marking the start of a new long-term trand. They sayes asserts to discover

geologists - Messieurs Campbell and Laherre that a peak in conventional reached at around the year 2000 is far too pessimistic. Such a peak is unlikely to emerge before 2015 at the was anticipating the entry of world oil in the era of geological scarcity has no

merit.
But what about the price collapse of 1998? Have we really entered a long episode some sea change in cost structures, demand batterns technology or in the role of Opec. Low oil prices: we had

them until as recently as two weeks ago, and we may see them obtain again on more than one occasion. But they have been, and in the future imbalances that inevitably arise in a market where nobody knows precise what the current levels of ectual supply and demand

Nothing fundamental has really changed in the structure of the industry. Opec often takes a long snooze but always wakes up when there is a price crisis and proves to a sceptical kicking. And Indeed the

Nothing fundamental has changed. Opec often takes a snooze but always wakes up when there is a price crisis

has been rising every year, with two or three exceptions, since the early 1960s, if not before. They repeated ad nauseam that Opec was dead, And brendishing the ultimate cientific weapon, the law of merginal costs, they showed that the costs of extracting oil from the hands of a niggardly Nature, and from under very deep seas, were falling continuously. Prices must follow marginal costs. We are thus entering a iong period of low oil

structural changes. In 1996 high prices led some analysts to believe

that the old fears of an

impending scarcity which did not materialise in the

- erel thet this three the

opposite reasoning was made. The world is awash

with oil. The Economic

the spirit of the times,

published an article under

the title 'Drowning in Oil'. The analysts reminded us

that non-Opec production

tiwant is real.

1970s are back to haunt us

In 1998 and surly 1999 the

My personal view is that neither the 1996 price rise, nor the 1998 collapse have much to do with a change i the structure of the world petroleum industry.

We are not yet thre with a scarcity of oil resources. The view

producers got their act ogether last month. Costs have been failing for some time, albeit not in the downstream where tighter environmental specifications are burdening refiners. But of prices have always held above the costs of the incremental barrel that would be needed to meet demand

when all extent capacity is used. In oil it is price that determines the cost of the incremental development, not the marginal cost that determines prices. Oil companies ought to count their blessings that things are not the other way round. The transformation of oil demand patterns is

continuing on a trend which started 25 years ago: oil is being slowly displaced from non-transport uses almost everywhere in the world but

considerable growth potential in developing countries. To assume this potential to be irrelevent is and the NiCs will never resume their aconomic development. The threat to oil in the

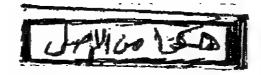
long run does not arise from the technology of production but from the technologies of use. One day the fuel cell car may displace the familiar internal combustion engine. The change may well take ifficant scale. In the very long run new fuels may lead the growth of energy consumption in the world. But not before 40 or 50 vears from now.

Oil companies and many about structural changes happening because they want something to occur. They would dearly like to re-enter the upstream sector in the Gulf countries and Mexico. The structural change that would then take olace is the oradual displacement of the national of companies by the

I do not believe that such a change, if it occurs, would result in a drematic shift in the balance between Opec and non-Opec production. The latter will continue to be privileged for security reasons. Should non-Opec inevitably attract those who did not manage to gain access to the Gulf. As mentioned above, and without apologies for repeating the same point. the shift will take oil away from publicly owned corporations and put it in the hands of private

companies. And this is not a zero-sum game, Oil-exporting countries and oil companies alike will lose in the longer run - simply because control over production will slip away and with it so will prices, government revenues and profits. More than once in the past, oil companies have begun digging their own graves. They may very well do it again if they fail to distinguish between cycles and trends, and more importantly to think through the long-term implications of their cherished strategies.

Robert Mabro is director of the Oxford institute for Energy Studies



# Optimism after five years of steady growth

For all practical purposes, Denmark has become a shadow member of European economic and monetary union, report Tim Burt and Clare MacCarthy

The Danish economy should end the decade in much better shape than it began it.

It is likely to enter the new millennium with inflation under control, interest rates at the lowest levels for 60 years and one of the lowest unemployment rates in

in a transformation from the early 1990s, the country's Social Democrat-led government is expected to achieve a general budget surplus of about DKr30bn this year equivalent to 2.5 per cent of gross domestic product.

"The performance has been extremely good," says Mogens Lykketoft, the finance minister. "Public finances have moved very fast from deficit to surplus."

Although the country has decided to abstain from the first wave of European economic and monetary union, Mr Lykketoft is quietly confident that it will continue to meet all the entry criteria if and when Denmark decides to join the single

"Denmark is in better shape for joining the suro than most of the countries that are inside already," he

The government has recording five years of growth. Buoyant domestic demand has underpinned manufacturing orders, comexports. Meanwhile, monetary policy has maintained a stable krone over a long period, contrasting with the currency volatility seen in its retail presence outside its neighbouring Sweden and

The government, however, has been forced to tighten fiscal policy to cool domestic demand and avoid industrial bottlenecks. Failure to do so risked fuelling inflationary pressures and prompting higher-than-average wage increases, in turn hurting Danish competitiveness.

Mr Lykketoft believes the fiscal tightening is starting to work; GDP growth is projected to slow this year to 1-1.5 per cent. Inflation has settled at just below 2 per cent and unemployment has sunk to about 6 per cent.

The relative economic the flux in the financial services industry. Recent corporate activity

in the sector suggests that Denmark has embarked on a second wave of consolidation, almost 10 years after the last big shake-out in the industry, (see page three). In 1990, the consolidation was triggered by excess capacity in the domestic market. That reached that position after led - among other deels - to the creation of Den Denske steady but solid GDP Bank and Unibank, the country's two largest lend-

pensating for slowing transactions, both banks have gone on the offensive Danske has acquired Fokus Bank of Norway, extending traditional market, while Unibank has agreed to acquire Danish insurer

Those deals follow the between BG Bank, the third largest commercial bank. and Realkredit Danmark, the mortgage lender.

All that activity mirrors similar mergers and acquisitions elsewhere in the Nordic region, where large banks have begun to bolster market share and product portfolios by buying insurers and asset management

That all seems logical, But the deals have not addressed calm contrasts sharply with the lingering problem of excess capacity - particufragmented financial services industry. There are quite simply too many branches, too many service providers chasing too few

> Most of the mergers so far have done little to address that problem. The deals have focused on combining complementary businesses, rather than aggressively cutting costs and building sharebolder value. All that could change if



start to take an interest in industry overwhelmingly the Danish market. So far, support the country's acces there has been relatively little buying activity by foreign banks - most of whom have overlooked Denmark while establishing footholds in neighbouring Sweden or

in eastern Europe. Danish participation in European economic and monetary union could make the market more attractive to German or Dutch bankers, which might see opporeuro denominated products at relatively little additional

#### People's decision

favour of joining Emu. Denmark opted out of the

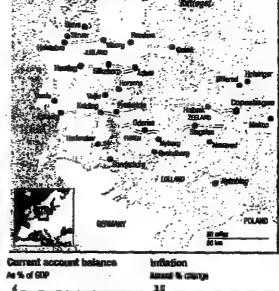
single currency in a 1998 ref-In practice, this means erendum and only another national referendum can reverse that decision. But while the government, oppoand when oversees banks sition political parties and

sion, the electorate still hovers in indecision.

the euro in January this year helped mudge voter support for the euro above 50 But the initial enthusiasm has waned and an opinion poll conducted in the aftermath of the EU Commission's fraud and nepotism scandal sent voter support larly acute in Denmark's "tunities for cross-selling of for the euro back down to 45 per cent.

Yet for all practical purposes, Denmark has become a shadow member of Emu. Last September, the government reached an agreement with the European Central Bank to keep the krone within a 2.25 per cent hand either side of a central parity

that monetary policy is largely dictated by maintaining the krone in that band. Although official interest rates have declined since the August currency crisis and



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rowed, economists are certain that Danish interest rates will remain higher than core Europe until such time as Denmark joins the euro. And without a seat on the ECB board, this in effect means that Denmark has no influence and is paying the price for it.

That has persuaded the Danish business community - not least the banks - to increase the pressure on goveroment to bring forward the euro question.

But continuing public scepticism and poor opinion poll ratings for the Social Democrats make an imminent referendum highly

The government, with competitiveness. There is German bunds has nar- only a fragile hold on parlia- also some market nervousment, would be even more rejuctant to hold such a ref- rate cuts could prompt a erendum if it risked becoming a national vote of confi-

> its chances of securing a tightening. solid yes vote on the euro. moreover, could be further diminished if it embarked on could be hit by declining the sort of structural reforms demanded by many Danish economists. Senior economists at the largest banks and employers organisations argue that much more work is needed to cut social benefits, address skills shortages and improve labour market flexibility.

> High taxation and overgenerous welfare payments, in the way of further flecal they add, are threatening tightening. But it is too early

new spurt in domestic demand, forcing the government into another fiscal

In that scenario, the profitability of Danish banks here savings in the home market. That could force them to look to overseas mergers and tect them from becoming

But Mr Lykketoft remains optimistic, "I think our policy is working as planned. "Maybe something could be necessary later this year

# Finance ministry embarks on delicate balancing act

If domestic demand and wage inflation is not sufficiently restrained, then further fiscal tightening may soon be needed

THE-ECONOMY-by-Tim Buft

cruising altitude over the 1998. This year, GDP is projpast five years, the Danish ected to be no more than I economy has started on a per cent to 1.5 per cent. At gentle downward glide path. the same time, unemploy-

1.19

- 275

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country's finance minister, cent to 6 per cent since 1988. initiated the descent last Add in interest rates at hisyear with an economic torically low levels, inflation reform package designed to hovering just below 1.9 per take the heat out of the cent and an estimated geneconomy. After seeing eral government surplus of annual GDP growth reach 3 DKr30bn in 1989, and most of per cant since the mid-1990s, the leading Danish indica-Mr Lykketoft last year tors point to an economy in deployed a fiscal tightening rude health. to cool domestic consumption and help ease bottle- working as planned and we necks in the manufacturing will have a better balance of

Things were moving too fast on general consumption, toft, who also claims to have we had to intervene," says the finance minister. There was a requirement to stabl- widening the tax base. lise real estate prices and take some of the steam out, for the ruling Social Demoof the economy."

Speaking in his Copenlast year's so-called Whitsun package has begun to take big cut in mortgage interest

After reaching a comfortable growth to 2.7 per cent in Mogens Lykketoft, the ment has halved from 12 per

"We think everything is payments this year than last," according to reduced Denmark's sky-high marginal tax rates while Certainly, there is much

crats to be pleased about. But the finance ministry hagen office, be claims that has embarked on a delicate balancing act. If its policies fail to restrain domestic effect. A combination of demand and wage inflation higher energy taxes and a sufficiently, it may be forced to consider a further fiscal relief helped slow GDP tightening at the turn of the

True growth against the produces year (%)

er et al. 1997	1304	95	- 96	97	98
Private consumption	7.1	3.3	27	3.6	8.1.
Coverporent domand	22	24	27,	1.3	1.7
Business treestments .	7,2	15.9	41	12.0	'92
Residential investments	4.1	32 .	5.0	11	1,3
Domestic demand auctoring:			•		
stocktrolicing	6.5	-48	33	4.4	3.6
streineling"	IJ	8.1	· 8.0	9.1	. 8,5
Domestic demand (total)	7.2	4.8	33	48	42
Exports	82	4.4	1.7	5,6	62
imports -	13.2	-8,9	. 37	9.9	3.7
like experie	-1.0	-1.5	9.1	-1.2	42
(IDP	5,8	- 3,5	* \$3	3.1	2.5
Unersployment (% of the labour farce)	12.2	18.3	8.7	74	45
Constance prior index (% growth)	20	2.1	2.1	22	1.9
Current Secount (% of GDP)	1,5	133	137	8.5	-1.4
General government believe (% of GDE	1-24	23	44	41	1.0
Printle steings surplus (% of GDP)	42	3.3	2.7	84	24

AND 12 1997 IN SEC. 14 SEC. 15 SEC.

year or early in 2000. At pean single currency, then a worst, that could lead to a hard landing for the econaccount deficit and rising memployment.

with a referendum on Danish participation in the Euro-

very uncertain, "The prospects for a hard landing are fairly slim, but I don't think we should be satisfied," says If those trends coincided Klaus Rasmussen, senior





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MENT SECTION

#### ATTITUDES TOWARDS THE EURO by Clare MacCarthy

# scandal has upset the voters

Danish public opinion will not be convinced about Emu entry until a credible European Commission is in place

the advice of their political masters - and recent developments with regard to the single currency are a case in

The overwhelming majority of established politicians and captains of industry which has long favoured Denmark's entry into the euro zone was joined last month by previously sceptical trade unionists.

An opinion poll of Denmark's largest trade union umbrella group revealing that 53 per cent of members

STOCK MARKET by Tim Burt

Danish voters have a would welcome their counpeculiar habit of shunning try's adoption of the euro, appeared to cement a growing conviction among observers that the smallest of the Scandinavian nations was tracking an irreversible path towards economic and

> But the fraud and nepo tism scandal which toppled the EU Commission shot a spanner into the works. reversing an otherwise con sistent trend of growing voter support for the euro. An opinion poll published shortly after the Commis-

sion resigned revealed that

Accelerate the earn (Dkr oer 6)

popular support for the euro among Danes had slumped to 45.3 percent from 50.9 percent at the start of March. while opposition to the euro

rose to 37.7 percent from 31.4 until such time as a credible percent. Given that the gov- Commission is in place." ernment and most of the rest notes James McKay, chief of parliament are solid euro. European economist at the supporters, a dip like this in public opinion should be of little consequence.

DANIS REPUMBANDAR PROPERTY AND A STREET PROP

National referendum

But the fact is that Danes opted out of the third phase of Emu in a 1993 referendum and, no matter what the government wants and advises. this decision can only be reversed in another national

referendum. "Cronyism is apparently quite rife in European institutions, so Danish public opinion may remain opposed

Commonwealth Bank of Australia in London.

His view was echoed by other analysts who fretted that while Denmark seems certain to enter the euro zone in the long run, upsets like this - particularly if the decline is sustained - could well delay the process and have negative implications for the economy in the

In spite of Denmark's success last autumn in negotiating a deal with the European Central Bank, which provides some measure of krone by restricting Its and will be won.

band either side of a central parity rate against the euro, Denmark pulls negligible weight in Europe as long as it remains outside the single currency zone.

"Danes have the worst of both worlds in that they have no influence on monetary policy and they're paying the price for it," says Hans Christian Iversen of Deloitte Consulting Financial Services in London.

Though the government is reluctant to fix a firm date for Denmark's Emu referendum, pending a definitive swing to positive in the public mood, it has not wavered from its position that a refersecurity for the Danish endum will eventually come



**ECONOMIC PROSPECTS** 

# Danish traders look Must traded domestic chares forward to Norex link-up in May

An alliance with Stockholm will lead to an increase in trading volumes and the creation of new brokerages

Recent statistics from the kers are looking forward to Danish stock market have been almost as grim as a wet winter day in Copenhagen.

Since the start of this year, the KFX index of top 20 stocks has achieved the dublous distinction of being one of the world's worst performing indices - falling almost 13 per cent. In February, the all-share index fell by 4.6 per cent and share turnover, at DKr31bn, was some 15 per cent lower than

in the previous month. was hardly scintillating. Although trading volumes in effect, the scheme will rose by 45 per cent to a create "one market on the record DKr448bn, the allshare index fell by 5.6 per cent and the KFX index reported a modest 4 per cent gain. Given such a mixed performance, it is understandable that stock exchange officials and bro-

Danish equities

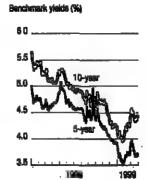
Copenitation KFX Index

May 14. In the middle of next month, Copenhagen will egy designed to enhance liquidity and international

interest in Danish stocks. From that date, it will begin trading equities on the same system as Stockholm's much larger stock exchange as part of Norex - the Nordic Exchanges project.

The move follows almost two years of negotiations by the two bourses, which will in future trade equities on a common system - SAX 2000. screen", allowing institutions with exposure to Stockholm to buy and sell Danish shares more easily with few extra costs.

Compared with the prospective London-Frankfurt stock exchange alliance,



but it will be up and running at least three years before larger competitors begin pooling their trading activities. "We realised that it would be very difficult for a small exchange to survive if embark officially on a strat- it did not link up with some one else," says Poul Erik Skaanning-Jorgensen, deputy director of the Copen-

agen exchange. He predicts that the alliance, in its first year, will lead to a further increase in trading volumes and will see at least 10 new brokerages starting to trade in Danish stocks via Stockholm. As the Swedish bourse attracts far more international interest, it is also hoped that the project will encourage new remote members from financial centres such as London and New York. Copenhagen is wooing such trading houses by promising to waive entrance fees.

So far, so good. But it is unclear whether the alliance in itself will reverse the recent sluggish performance of Danish stocks, even if volumes rise significantly.

Traders blame recent falls on portfolio changes by a er of large institutions They have decided they are overweight in their exposure to Danish shares and are beginning to diversify internationally. That means selling down Danish companies," according to one broker.

Volumes in Tele Danmark, the bourse's most heavily traded share, fell 28 per cent in February compared with

	Turnover (Ecu m)	Total immover (%)	Market Value (Ecu m)	Total market value (%)	Turnover	Price (DKK) & 4th Otr. 1998	Change and 1997
Tele Denmark	2,780.7	19.8	12,463,4	11.9	86.2	659.00	101.2
Novo Mordisk B	1,5227	11.1	7,310.7	7.0	85.5	843.00	-14.3
Unidarumark A	326.5	5.9	3.620.6	8.5	91.3	578.00	13,8
Den Danake Bank	786.8	5.6	6,080.5	5.8	51.6	857.00	-6.2
Kapital Holding	738.1	5.2	2,747.5	25	107.2	315.00	-32,7
Danisco EM	713.4	5/1	2,804.3	27	101.8	348.00	-10.5
Ratin B	<b>654.1</b>	4.7	3,628.2	3.5	72.1	1,360.00	-
ISS-Int, Service system &	449.1	3.2	1,468.6	1.4	122.5	422.00	68.1
GN Store Nord	307.8	2.2	1,134.9	7.1	108.8	228.00	94.9
Sopikas Berendeen B	218,5	1.6	369.3	0.8	148.2	221.00	-
Total	9,035.8	84,4	41,645.2	40.1	88.4	-	-

declined almost 5 per cent. Christian Clausen, managing director of the stock exchange, says the bourse has also been affected by investors shifting away from smaller companies and the increased focus on leading stocks in euro-zone coun-

"It is a fairly big problem in the near term: it strength- to co-operate with the Deutens our view that the link sche

turnover in banking stocks with Stockholm is the perfect deal for us." he adds. Officials in Copenhagen hope to extend that alliance by adopting the SAX 2000 trading system for bonds and derivatives. It is hoped this will lead to a harmon-

> ent types of securities. Given that the Helsinki stock exchange has decided Borse and Eurex

ised Nordic market for differ-

instead, the hopes of creating a genuine pan-Nordic market will be difficult to achieve. Oslo has yet to decided whether to join Norex, and it will be some months before the Stockholm-Copenhagen marriage begins to show real benefits.

Nevertheless, Mr Skaanning-Jorgensen says: "We still believe strongly that if we stick together, we will



Investors. Pictured here are researchers in advanced protein chemistry and m

## Confidence that state budgets are in check

conomist at the Confederation of Danish Industries. We cannot reduce unemployment further without changing labour market

Along with most Danish economists, Mr Rasmussen is complimentary about the government's short-term handling of the economy. But he and others claim that it has failed to really grasp the structural reforms required over the longer term.

In a country of generous social benefits and slowing employment growth, the challenge is to contain public spending - particularly given the ageing population and shortage of skilled labour in some parts of the

Christian Clausen, head of Unibank markets, says: ECB repo rate. If that leads Structural changes that rency, the Nationalbank need to take place are not being tackled. Tax rates are still too high and it is hitting the competitiveness of Danish industry."

While domestic demand

has been rampant, that has not been too much of a problem. But in a period of slowing demand, it may be difficuit to secure export growth for an industry labouring under wage agreements ahead of most other countries and high tax costs.

To be fair, the government has already begun to reform unemployment benefits and modify early retirement policies. But many economists want to see more radical minority Social Democrat administration will find hard to deliver without alienating years. its traditional left-of-centre supporters.

Mr Lykketoft maintains that the government has demonstrated its reforming credentials by agreeing to cut corporation tax from 34

term. It has also cut top rates of income tax.

But Jorgen Birger Christensen, chief economist at Den Danske Bank, believes the government's room for manoeuvre has been greatly reduced by Denmark's decision to link the krone to the euro through ERM-2.

"Monetary policy has been displaced to Frankfurt, with the euro replacing the D-mark," he adds.

"The current account dedcit has risen because we are drawing in imports and exporters are still concentrating on domestic demand. "For industry, above-aver age wage increases have

caused an average loss of market share of 2 per cent. he save And while interest rates are low, they remain about 40 basis points above the to an inflow of foreign cur-

could be forced to cut interest rates, threatening to spur domestic consumption again. Mr Lykketoft says he recognises the challenges but is rather relaxed about the economic outlook.

In spite of slowing growth, he does not expect unemployment and therefore benefit claims to rise markedly. Moreover, the finance minister says state budgets are in check and is optimistic main trading partners ~ Germany, Scandinavia and the UK - will pick up. He is also unfazed by the constraints imposed by ERM-2, pointing reform, something that a out that Denmark has endured a fixed exchange rate policy for more than 5

"Denmark is in better shape for joining the suro than most of the countries

already inside," he says. "I see no reason for a recession in this part of the world. The management of to 32 per cent, with a target economic policy has been of matching Sweden's 28 per rather wise."



Overlooking the canal in central Copenhagen are the soires of the old stock exchange, built by King Christia ee addresses of business institutions, page four

Danish Ship

**Finance** 

I-3. Sankt Annæ Plads

DK-1021 Copenhagen K

Telephone (+45) 33 33 93 33

E-mail: danmarkseskibskredit.dk

Telefax (+45) 33 33 96 66

rww.skibskredit.dk

P.O. box 3028



PROFILE BODIL NYBOE ANDERSEN

## Clever lady with unswerving determination

As governor of Denmark's central bank, Nyboe Andersen wins applause all round in maintaining exchange rate stability

hardly a familiar name to those outside the tight circles of the financial and the central banking world, but as a frequent nominee on lists of the world's most powerful women, the governor of Denmark's central bank is a force to be reckoned with.

in addition to the fact that since the departure of Finland's Sirkka Harhalainen to a post on the executive board of the ECB, she is now the European Union's only female central bank governor, Ms Nyboe Andersen appears a rarity in public life in that criticisms of herself and her

praise is profuse. "She's a most impressive woman. Very, very clever and she's doing a formidable job for the country and the central bank," says Mr Lykketoft, the

His positive appraisal is echoed by others canvassed for this profile and the list of adjectives grew to include experienced, capable. unpretentious and affable. The recurring theme being above-average skill since she came to the job in 1995. "I wouldn't go as far as saying that she bears sole credibility in the Danish currency, but the determined way she manages monetary policy provides much of the explanation behind its stability," says a leading London economist.

policy objective of maintaining exchange rate stablisty was put to the test on two occasions last year. In the spring, market worries about referendum on the Maastricht Treaty triggered negative sentiment for the krone. In the early autumn, a

The central bank's core

renewed bout of pressure occurred when international investors, worried by the spectre of a global economic meltdown, started switching out of peripheral markets such as Scandinavia and into perceived safe havens such as the US. At both times, markets felt the lady's mettle.



The governor dipped and dipped again into Denmark's foreign currency reserves to buy up and prop up a flagging krone. When this proved insufficient, she raised interest rates. The net result of her erving determination was a stable krone and market players' conviction that launching speculative attacks on the Danish currency is a fool's game.

The job of central bank governor is not one for which there is a fixed career path. The position tends to be offered to the person who is in the right place at the right time with the right qualifications. On her previou

work credentials alone. Ms Nyboe Andersen fits the bill to a tee. Having started her working life as assistant principal in the economy ministry, she moved into academia, spending a dozer vears as professor of monetary policy and economics at Copenhagen University, A nine-year stint in the private sector culminated with a post as group managing director of Unibank

before her appointment as a

governors of the central bank

member of the board of

in 1990 and thence the

grovernor's job five years

# FINANCIAL TIMES SURVEYS

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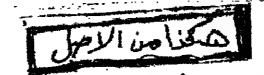
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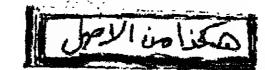
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BANKING SECTOR by Tim Burt

# Big institutions buy up their smaller rivals

As profits rise, the larger banks seek an increased share of the market, leading to a fresh wave of consolidation

Almost a decade after the last big consolidation wave in Danish banking, the country's leading lenders have embarked on a second round of mergers and acquisitions.

But unlike 1990 - when six banks combined to create Den Danske Bank and Unibank, Denmark's two largest financial services groups the latest restructuring is not a symptom of a crisis-hit sector. Nor does it represent a rescue effort.

Quite the reverse; big Danish banks are exploiting strong balance sheets to buy up smaller rivals - both in neighbouring countries and neighbouring industries such as insurance and asset

check

TO BUYES

Earlier this year that motive persuaded Unidanmark, Unibank's parent, to announce a merger with Tryg-Batlica, Denmark's leading non-life insurer.

The enlarged group, boasting a market capitalisation of DKr34bn and DKr250bn of assets, is expected to become the seventh largest financial institution in the Nordic

A similar thirst for increased market share and a broader portfolio led to the merger last year between

mortgage bank Realkredit Danmark and BG Bank, the third largest commercial bank, to create another new banking giant.

That deal was followed by Danske Bank's NKr5.6bn agreed takeover of Fokus Bank, Norway's fourth largest lender - a move that frustrated a rival offer for Fokus from Sweden's Handelsbanken.

The choice appears to be stark. Given the dominance of Denmark's largest banks in their traditional markets, they can keep growing either by diversifying into new areas or by bolt-on acquisitions in other countries.

That strategy has the triple benefit of sharply increasing their customer base, enabling cross-selling of products to new savers and borrowers and making the enlarged banks less vulnerable to takeover them-

All that activity has given the financial services industry an hour glass profile. Denmark, like Sweden, has a super-league of large banks offering a broad range of products. But there are almost no medium-size institutions between those big landers and the hundred or

In order to survive, these smaller banks charge higher interest rates than larger rivals, often relying on customer loyalty and mortgage bond business to sustain

"They are too fragmented and it is difficult to see how they can survive over the long term," according to one

industry analyst. They do so, in large part, because the effort required to integrate them does not

Senior bankers see better growth prospects abroad than at home

promise sufficient synergy benefits or scale to attract

So Denmark's big banks are looking elsewhere for acquisition opportunities. In reality, only three or four lenders have the financial muscle to contemplate big cross-border mergers, notably Den Danske Bank (DDB), Unibank and BG Bank.

The challenge for these banks is to initiate and carry through deals rather than become prey themselves. Lenders such as MeritaNordbanken, the Finnish-Swedish

ken would dearly love to buy a big presence in the Danish market. And DDB or Unibank - together commanding more than 50 per cent of the retail market - would make attractive brides.

DANISH BANKING AND FINANCE

Share price (DKr)

Moreover, it may be only a matter of time before predators to the south, such as ABN Amro of the Netherlands or Deutsche Bank. switch their acquisition radar towards Scandinavia, where they have already established investment

Although Danish lenders the economy that undermines profitability and share earnings and higher bad debt provisions this year.

that banks such as Jyske are managed with share-Bank and Den Danske will repeat the growth seen in 1998, when annual profits rose by 20 and 24 per cent

1997 1998

A' Sharp price (UK)

banking operations. "I don't think the deals we have seen are enough to protect the big banks from takeover," says one Den Danske banker, declining to be

have worked hard to improve their cost base and promote new products, they could become vulnerable if there is a hard landing in prices. Already, several banks have warned that the slowing domestic economy could lead to a fall in core slowing profit growth, investors may begin to question Certainly, it is doubtful just how much Danish banks

> holder value in mind. Few of the country's lenders, for example, provide investors or analysts with a detailed breakdown of their

Against a background of divisional profits or liabili-

sure from shareholders to explain different trading performances in areas like investment banking or asset management," says one ana

rapidiv expanding area

worldwide and attracting

trillion which high-net-

some of the estimated \$20

worth-individuals (HNWis)

have at their combined

disposal globally is an

attractive target for any

Jyska serves its alice of the

Gibraltar, Zurlch, Hamburg,

London and Fuengirols and

Denmark. But in this sector,

too, Jyske has its own way of

doing things. While traditional

accept a client with less than

\$1m in assets, Jyska defines

"Our way of doing business

someone with DKr500.000

is friendlier than how it is

done in the UK," claims Jens

Skov, head of international

and above to invest.

private bankers would not

florocial institution.

practices quite quickly and demonstrate just where prof-That is partly explained by

the absence of large overseas

shareholders in the Danish

financial services industry.

But if one of the large banks

faced an unsolicited bid, it

might have to change those

tion in retail banking and mortgage lending in particular, such a breakdown might demonstrate that profit margins and return on assets are pretty thin for many banks. In turn, that might prove something of a poison pill for acquisitive international Minks.

As a rationale for a bid, a large market share in Dentive than, say, buying a Polish bank. A presence in Denmark would deliver a mature customer base. An acquisition further east, on the other hand, could provide a more lucrative platform for capturing part of an

undeveloped market. Senior Danish bankers recognise that, too. They see better growth prospects overseas that at home, persuading them to pursue deals in Norway and Swe-

"The trigger for further bank restructuring is to develop a Nordic strategy rather than an exclusively Danish one," says Christian Clausen, head of Unibank markets. "From our perspective, we have just seen the beginning of Nordic consoli-



40.

CASE STUDY

# Strongly committed to staying independent

A decentralised decision-making structure and customer-friendly approach are key strengths for the advisory bank

At a time when mercers. acquisitions and other sorts of alliances are raging through the Nordic banking scene as there was no alternative, Denmark's fourth largest bunk, Jyaka Bank, is

"We are committed to maintaining our independence and have no immediate intentions of growing through Munkholm Poulsen, assistant

in which it is not the continuing company. Jveice Bank has, of course. managing director. The reasons behind this

inadvisable in any business.

including banking, Jyake says

been there before: Itself the result of a merger between four regional banks in the Juttand area back in 1967, unashamedly independent stanci are several. "The Jyske stayed aloof from the 1989 merger wave which primary one is that no report streamlined a chronically of analysis has yet been published which documents a overbanked Danish banking clear correlation between size sector leading uttimetely to and the ability to earn the present structure of three money," explains Mr very large banks, dozena of. Munkholm Poulsers And while extent banks - and hake. never saying 'never' is

Since then, Jyske has cerved out a solid niche for itself an Denmark's fourth

it will not entertain any link-up

largest bank. Its solvency ratio of 10.4 per cent at the end of last year was both above average and the statutory minimum; Moody's has upgraded its credit ratings and analysts regard its performance in boosting 1998 core earnings by 65 per cent to Okri Olion as more than

usually satisfactory.

Jyske's ability to survive and thrive in an environment dominated by much bigger players has been helped by a canny marketing strategy of playing on its differences and presenting itself as a retreshing atternetive.

Promoting itself as an advisory bank, it claims its decentralised decisionmerking structure and customer-friendly approach are key strengths and not at all the norm in Danish banking: And while it prides Itself on its ability to provide a full range of financial products and services (either in-house or out-sourced), engivets view ita expertise in niche areas such as private banking as additional and valuable



Anders Dem, Jyeke Benk's chief executives emphasis expertise in niche merketi

assets. Private banking has always been a niche business. Jyske has been exploiting this facility for 30 years, so that now some 25 per cent of bank income is generated

from privata bankino. Asset management services for private individuals are a



marketing at Jyske.

in practice, this means that clients are serviced on an Individual basis by their own personal account manager, as opposed to the small army of anonymous client managers, which is often the case at the megabanks - proof, it would seem, that size isn't





# Merger aims to exploit economies of scale

The new Unidanmark group will control assets of Dkr524bn and account for about 27 per cent of domestic bank lending

insurance companies offer a service which society cannot Andersen, chief executive of Tryg-Baltica, the insurance group, in an interview with the FT last year. Not so the banks, he said, whose services can be duplicated by other organisations, such as supermarkets, to name but one competitor.

But Mr Andersen and Tryg-Baltica's supervisory board have nevertheless chosen to throw in the company's lot with Unidenmark, the country's second-largest banking group. The sales channel provided by the nationwide branch network of Unibank (the operational subsidiary of Unidanmark, a holding company) was an offer which Tryg-Battica decided it could not turn down when the two financial service companies discussed their future.

Thus, on Merch 10, the two announced a Okr10bn merger plan, and it is a near-certainty that the merger will be completed, although the crucial meetings of shareholders had not taken place at the time of writing.

"Unibank's branch offices provide access to a wider distribution network, thus offering significant opportunities for seiling non-life insurance, as well as life and pension products,"

sald Mr Andersen. Thoriett Krarup. Unidanmark's chief executive, said: "With our complementary strengths, the merger provides a unique opportunity to create a strong combination based on a concept of decentralised customer service, while maintaining the ability to exploit economies of scale."

The new Unidanmark group will control assets of Dkr524bn (as of the end of 1998). It will account for about 27 per cent of domestic bank lending, 21 per cent of the general insurance market, nine per cent of the life and pension market, and 15 per

cent of new mortgage lending. The two companies claim in the merger prospectus that the merger will yield benefits on the bottom line of Dicr450 a year within three to four years, of which Dkr300m will arise from cost-savings - and Dic 150m from increased business, easily justifying the merger costs, which are put at Dia375m.

The merger will be implemented by an exchange of paper which will leave Unidanmark's shareholders with 74 per cent of the capital and Tryg-Baltica's with 26 per cent. The terms are far from generous for Tryg-Baltica's shareinoiders. The merger offer to Tryg-Battica's shareholders is

Dic180 per share, which values Tryg-Baltica at about 96 per cent of book value. The relatively modest offer caused Codan, the listed Danish insurance company controlled by Royal & Sun Alliance, to make a counter-offer of Dkr200 per share on March 30. This was rejected by Tryg-Baltica, in which 75 per cent of the voting capital is controlled by Tryg-Baltica's policyholders through Tryg-Battica Samba, a kind of

co-operative company. This is the successor organisation to the policyholders who owned Tryg-Baltica before it was Tryg-Battica S.a.m.b.a, is

unlikely to be deflected from its determination to proceed with the merger with Unidanmark, which, as Mr Hugo Andersen says, is seen to be "in the long-term interests of shareholders, Shareholders in both companies are being encouraged by the proposal of an extraordinary dividend, which will increase the dividend per share in Unidanmark from DKr17 to 32 and in Tryg-Baltica from DKr6 to 12.

Unidanmark also plans a Dkr1bn share buy-back programme over the coming year if the merger goes through, Unofficial matchmakers, in Copenhagen and elsewhere, were for long

BG Bank or Unidanmark would become the object of a Nordic cross-border merger or buy-out, but it was not to be. BG Bank merged with

domestic mortgage bank Realkredit Danmark last vear under the umbrella of Kapital Holding. Unidanmark is in the process of a bank-assurance tie-up. However, Unidanmark is among the large Nordic financial service groups which regard the Nordic region as one market. it already has significant

position in Nordic Investment banking, portfolio management and as a trader derivatives. The merger will place Unidanmark is a position to participate in any further consolidation of the Danish market and in the ongoing structural changes in the Nordic financial services industry, according to the merger prospectus.

**Hilary Barnes** 





It's pure Scandinavian

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# Industry has remained determindly prudent

New rules allow Danish Ship Finance (DSF) to move into syndication, thus spreading risks on selected loans

the most frequently quoted analysis agree the trend is phrase used to describe the ratefied business of shipping finance - the myriad failures which the industry has suffered in the last three years appears to prove the maxim.

Adverse events such as the economic crisis in Asia and the former Soviet Union. freak weather conditions and plunging freight rates have hit global shipping hard, triggering loan defaults by shipowners which, in turn, shipwrecked a fleet of shipping finance

The total number of banks worldwide operating in the area dropped to below 150 1997. And although the declining number of finance

"High risk, low return," is sure of lending capacity, clear - liquidity in the ship financing market is tightening and will continue to shrink during 1999. The economic crisis in the

Pay East and Russia counted problems both for the ship owners with regional exposure and their lenders, including junk bond inves-European shipping finan-ciers, by contrast, generally

charted a safer and more conservative lending approach, and the deep traditions for this type of busi-ness, particularly in northern Europe, belped shield these financiers from the worst of the storms. Danish Ship Finance

(DSF), an independent financial institution providing

finance, is a case in point. We're a very conservative financial institution with a high solvency ratio," says Bo Jagd, DSF managing direc-tor. While Danish banks twice a year. have a minimum capital adequacy requirement of 8 per

cent for any type of lending.

from Dkr199.9m in 1997, a

development which reflected

the general troubles of the

shipping industry, but also evidenced DSF's deter-

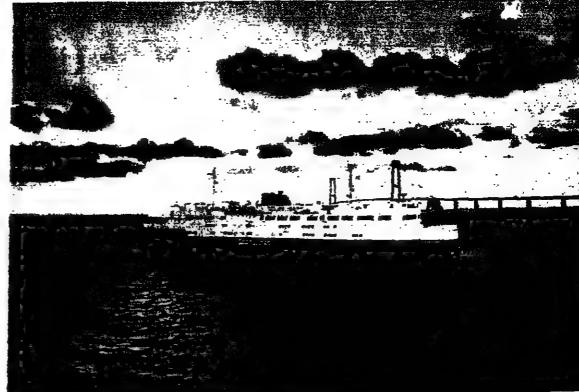
including ship finance, DSF's is set at 10 per cent but, in fact, it has consistently exceeded the minimum and the solvency ratio was up as high as 20.3 per cent at the end of last year. The company, Mr Jagd maritime industry in Denadds, also has a very conservative policy on lean-loss ons. Falls in tonnage values during 1996 necessitated a 112 percent increase in provisions for bad and doubtful debts to Dkr424.4m

risk in its portfolio. "In theory, there's no geographic the managing director says. Last year, DSF acquired a 5 per cent stake in the Swisssed Viking Ship Pinance

requirement is a continuous process and all vessels in which DSP has a mortgage are valued by specialised independent brokers at least

With a total loan portfolio of around DKr36bn, DSF is one of the biggest operations in Europe devoted purely to shipping finance. It dominates shipping finance in Denmark with a domestic market share for financing newbuildings in excess of 90 per cent.
"Our ration d'etre is the

mark," says Mr Jagd. That said, the company is becoming an increasingly active player in the international arena in order to spread the



with a view to expanding its role in the international ship finance market.

Recent Danish legislative amendments and a subsequent adjustment of DSF's own by-laws have extended

pling of loan offers in terms of value, quantity and the number of vessels involved.

According to the new Danish The altered regulatory rules, at least 10 per cent of the busi-environment has also all new loans must be syn-shipping.

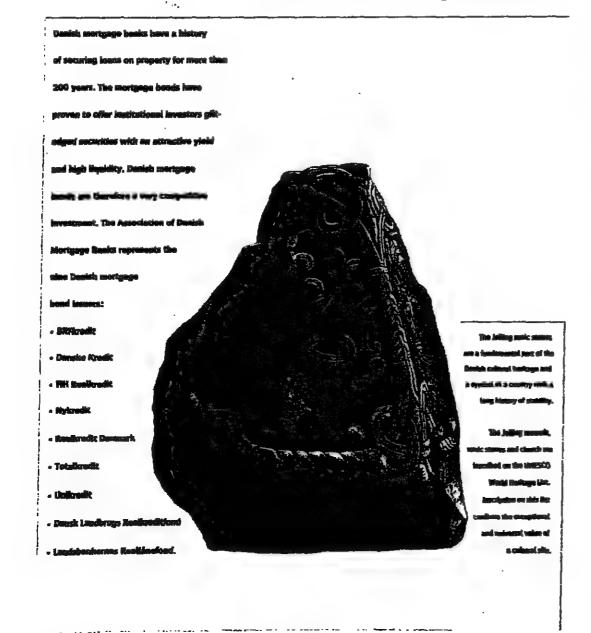
allowed DSF to move into dicated, a development framework, facilitating a tri-pling of loan offers in terms syndication, thereby spread-ing the risk on selected loans another safety-net for what among several players, is already one of the world's most reliable operators in rules, at least 10 per cent of the business of financing



urly two million people live in and around the city of Copenhages

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KEY FACTS

## Information for business visitors

ative of Norwegian and wedish. Denes are highly proficient in foreign languages, English is very widely spoken and many people can get by in Ge and French, as well as the other Scandinavian language □ Form of government a single chamber parliament (the Folketing) with 179 seets. The present government is a two-party minority coalition betweenthe Social Democrats and the Social Liberals. Prime rissmussen has been in since 1993.

Denmark is a constitutional monarchy. Queen Margrethe II has reigned since 1972.

Deputation: 5.3m in Denmark, Copenhagen and its environs: 1.9m. Faroe Islands: 14,000. Greenland: 56,000. ☐ Geography: The southernmost of the Nordic countries Denmark has between 54 and

15 of longitude east. Land area: 43,000 aq km. In addition to Denmark Itself, the kingdom also includes the Faroe islands in the North Atlantic (1,400 aq km) and Greenland, the world's largest istand (2,186,000 sq km).

□ Currency: Danish krone,

(Dkr). One krone equals 100

Key business and investment

addresses Darwinsk han embernies or consulates in more than 90 countries and the commercial departments are rich sources of information and advice for foreign investors and

☐ The promotion of inward investment in Denmark is co-ordinated by the linvest in Dermark Office, under the Ministry of Business and Industry: Stotsholmsgade 10-12, DK-1216 Copenhagen K; tel: (+45) 33 92 33 50; web site: www.investdic.com Another agency, Copenhagen Capacity, provides investment services specific to the Copenhagen region: Copenhagen Capacity, Kongens Nytory 6, DK-1050,

Copenhagen K, tel: (+45) 3333 0333; web size www.copcap.dk

Denish Bankers Association: Finantifications Hus, Amalegade 7, DK-1258, Copenhagen K; tel: (+45) 33120200; web site

www.linenersedet.dk ☐ Copenhagen Stock Exchange: Nikolaj Plads 6,DK-1067 Copenhagen K; tel: (+45) 3393 3366; web site WWW.XC3B.ck

Ministry of the Economy: Ved Stranden 8, DK-1081 Copenhagen K, tet (+46) 3392 3322 web site www.oem.dk ☐ Commerce and Compenses Agency: Kampmannegada 1, DK-1780, Coperhagen V; tel: (+45) 33 30 77 00; web alto

www.eogs.dk Competition Council: Nomegada 49, DK-1185 Coperinagen IC; tel: (+45) 33 93 90 00; web site www.ks.ck ☐ Patent Office: Helgeshoj Alle 81, DK-2630 Taestrup; tel; (+45) 43 50 8000; web site

www.dkpto.dk

Denish Agency for
Development of Trade and Industry: Tagenevei 137, DK-2200 Copenhagen N; tel: (+45) 35 86 86 86; web site ☐ Denish Chember of Commerce: Borsen, OK-1217

Copenhagent, tel: (+45) 33





MORTGAGE BONDS by Clare MacCarthy

# As safe as houses

Danish mortgage bonds are a secure bet in that default is virtually unthinkable

The fact that Danish home

Denmark's mortgagebacked bonds are issued by mortgage credit Institutions which pool mortgages carrying the same coupon into a single bond series and place them on the open market. But while Danes are famil-

iar and comfortable with the system, educating foreign merits is rather an uphill

non-residents have held bond market is very large

purchases are almost the fact that most Danish entirely financed via mort- mortgage bonds are callable gage bonds makes the coun- means foreigners tend to try into one of the world's stick with what they know-top ten bond issuers.

"Being able to distinguish between government bonds and mortgage bonds is easy for Danes, but not for foreigners," says Hans Christian Iversen of Deloitte Consulting Financial Services in

London. The market value of all investors about the product at the end of 1999 was gage bonds are a secure bet and persuading them of its DKr2,009bn of which around in that default is virtually 60 per cent were mortgage unthinkable.

foreign investors. But seen in the perspective that this is more than twice the level of foreign ownership one year ago, this is a respectable

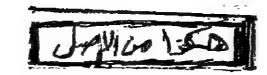
Furthermore, analysts say the move by several mortgage credit institutions to seek and obtain good credit ratings from international agencies, should spark more buying by overseas inves-

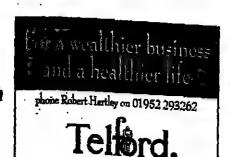
Notwithstanding the call option (which entitles the borrower to buy back his remaining debt at par, usually as a result of a fall in bonds on the Danish market interest rates), Danish mort-

"They're as safe as houses. "In contrast to govern- But in spite of the fact Danish mortgage institu-ment securities, of which that the Danish mortgage tions are too big to fail and even if they did, the governaround 30 per cent to 40 per and liquid, and can offer a ment would have to step in cent in recent years, non-res- most attractive yield pick-up so everyone assumes the ident investors do not play a over sovereign debt in bonds have tacit government dominant role in the mostgage credit market," says the

per cent to 15 per cent of the

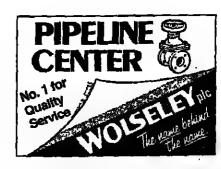
ing, head of fixed income at Danish central bank in a total in circulation at the Carnegie Bank in Copen-





FINANCIAL TIMES

# **COMPANIES & MARKETS**



INSIDE

Time Warner posts \$138m net profit Time Warner rebounded from a \$62m loss in the first quarter of last year to a net profit of \$138m this time, beating analysts' forecasts. Earnings per share, after preferred dividends, were 10 cents compared with a deficit of 12 cents, in what management described as an coeptionally strong quarter. Page 20

Airline struggles to remain airborne



Philippine Airlines, Asia's oldest commer cial airline, bounced back from a brief offlcial closure last September but still faces challenges to stay in the skies. In the next 48 days the receivers must find \$200m for a cash infusion, hold off creditors and resolve a conflict between man-

agement and Luclo Tan (pictured), the Filipino-Chinese controlling shareholder. Page 18

Japanese retailer braced for pain tto-Yokado, the leading Japanese retailer, has seen its net profits fall for two consecutive years and is bracing itself for more pain. But the company, the seventh largest retailer in the world in terms of market, is the best-positioned group to weather Japan's recession. Page 19

India to restrict imports of sugar india, the world's largest producer and consumer of sugar, intends to restrict further imports of sugar this season because traders have already signed contracts to import more than 2.2m tonnes. Commodities, Page 26

Chinese bank plans \$500m bond China Development Bank, the main channel of government funding for the giant Three Gorges dam, plans to launch a \$500m globel bond next month. It will be the first Chinese financial institution to leave a global bond since the outbreak of the Asian crisis in mid-1997. Page 24

Television sets enter internet age Customers for PowerChannel's innovative free internet service do not need a PC, only a television set for their "freePCTV" set-top box, it is a milestone in the PC's development: the value of the software and hardware is now much less. than that of the services they deliver. Page 20

Hungary stock market lacks bite



Budapest equities this year have been in the doldrums: the benchmark Bux Index is 17.5 per oent lighter in dollar terms, earning it the title of poorest performing European mar cat. But the dovern ment of Viktor Orban (left) inelets no emergency measures are

needed. The index closed yesterday at 5,842.22, up on the day but still almost 40 per cent short of last April's alltime high. Emerging Market Focus, Page 36

#### COMPANIES IN THIS ISSUE

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Duke Energy

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Qwest

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Emerging Mariest bonds FTSE Acquaries share indices Recent Issues, UK Stock markets at a glance

32 World stock markets

THURSDAY APRIL 15 1999

# Mannesmann in new media push

Mannesmann, the German industrial group, which is one of Europe's strongest telecoms operators, operators, yesterday announced a push into new media services and internet commerce as it all but abandons the steel tubes business on which it was originally

The Düsseldorf-based group, which supports Olivetti in its bid for Telecom Italia, the Italian telecoms giant, said it was looking seriously at a possible bid for One-2-One, the UK's fourth biggest mobile phone operator.

**BG-led** 

group

takes

over

Comgás

Hobert Cossins in London

The Brazilian state of Sac

Paulo yesterday sold its con-

trolling stake in Comgas, the

state sas company, to a consor-

tium formed by BG, the UK

gas pipeline operator, and Royal Dutch/Shell for R\$1.65bn

(\$1bn), a premium of 119 per

cent over the minimum price.

Officials said the successful

sale indicated a recovery in

investor confidence in Brazil

efter it was forced to devalue

its currency, the Real, by 39

Julio Lapa, Comgas's presi-

dent, said: "I think it shows

confidence in the country. It is

the first [privatisation] auction

since the devaluation in Janu-

ary, which frightened many

people. As we see now, the cli-

BG and Shell best three

other international consortia.

including one lad by Enron of

the US, which offered a pre-

BG has a 95 per cent stake in

the winning group. Shell's

existing 15.6 per cent stake in Compas will be incorporated

Stephen Brandon, a senior

BG executive, said the high premium was justified

because we can see a lot more

value in Comgas than the

The privatisation of Comgas,

which serves Brazil's indus-

trial heartland, comes two

months before the first deliv-

region from the new 3,200km

Bolivia-to-Brazil pipeline.

eries of gas into the São Paulo

The surge in gas supplies is

expected to release pent-up

demand for gas, mainly for

industrial use and power gen-

eration. The Brazilian govern-

ment has set a target for a

fivefold increase in gas usage over the next 10 years.

New gas-fired co-generation

power plants being built in the

state will be the principal new

customers for Comgás.

Although demand for power is

rising steadily, Brazil has

exhausted nearly all of its

hydroelectric generating

iste is not catastrophic

mium of 70 per cent.

into the consortium.

other bidders".

per cent in January.

German group moves further away from industrial origins

of 1999. It reported profit on ordinary activities on par with the same period a year before. Presenting details of 1998's

results. Joachim Funk, the outgoing chairman, said Mannesmann wanted to take advantage of any chance offered in telecoms that fitted the group's strategy. Mannesmann is considering

a possible capital increase, per-haps worth €2.5bn following expansion in Italy and a 62bn However, Mannesmann's bond issue in May.

and Tom Burns in Madrid

Duke Energy of the US was

last night considering its next move in the battle for control

of Endesa Chile, Latin Amer-

ica's second largest electricity

generator, after a counter-bid

The Spanish company late

on Tuesday announced a

\$1,5bn offer for 29.7 per cent of

the Chilean group through

Enersis, the electricity distrib-

utor it controls. Enersis

already holds 25.3 per cent of the generator. Rodolfo Martin

Villa, chairman of Grupo End-

esa, is set to become chairman

The Spanish offer, which

was higher than expected, tops

Duke's \$2.1bn bid for 51 per

Duke Energy International

yesterday said it was consider-

ing a range of options, but

tive, has indicated the com-

pany would raise its offer in

This latest battle in Chile's

electricity sector follows the

\$830m acquisition on Tuesday

of most of the energy assets of

Chilquints, the utilities hold-

ing company, by a US consor-

tium of Sempra Energy of Sen

Diego and New Jersey-based

Public Service Enterprise

The Santiago stock market

has been alive with specula-

tion about foreign bids for

Gener, the country's second

Group (PSEG).

nson, chief execu-

cent by 22 per cent.

the event of a contest.

of Enersis.

Bruce Willis

by Grupo Endess of Spain.

shares dropped almost 6 per Mannesmann recently Mannesmann's push into cent yesterday to €126.12 acquired the o.teLo fixed line new media businesses would

Spanish offer tops

**Duke Energy bid** 

for Endesa Chile

ahead of a possible capital telecoms business of the Veba increase and on an initial and RWE industrial conglomstatement on the first quarter erates, which is likely to cost more than DM3bn (€1,54bn,

\$1.65bn) including restructuring costs. It is also set to take Klaus Esser, vice-chairman, over Olivetti's stakes in Omnitel and Infostrada, the Italian mobile and fixed line businesses - assuming Olivetti wins its bid for Telecom Italia. not make sense". Other financing require-

ments include paying AT&T to exit its Arcor fixed-line operator. AT&T is linked with Brit-Telecommunications. which runs a rival telecoms operation in Germany.

largest generator, and for

Activity in the sector, which

accounts for more than half

the main IPSA index, has

helped drive the market up

nearly 25 per cent since the

of PSEG Americas, said Chile's

mature regulatory framework

and investment grade ratings

had made it the battle ground

for international groups looking for a bridgehead into

"Chile was privatised first,"

he said. "What we're seeing

now is the second wave in

Chile and in Argentina and the

first wave is not yet completed

Grupo Endesa and Duke

Energy cited Brazil's energy

sell-off this year as a reeson

for their determined push into

Sandra Boente, Latin Amer

Latin America through Chile.

ica utilities soalvat at Salomói

Smith Barney in New York,

said the Spanish group's deter

mination to control Enersis

and Endesa Chile reflected the

influence of the Chilean groups in the region.

Whoever ends up buying

Endesa Chile - and if it is

Grupo Endesa, it already has

Enersia - owns prime electric-

ity assets in just about every

However, analysts vesterday

warned that the Spanish

group's aggressive 305 peso a

share bid for its Chilean name-

sake, representing a 27 per

market in Latin America."

in Brazil."

Thomas R. Smith, president

beginning of the year.

other electricity companies.

mobile network, Germany's largest, and Arcor's strong position in the newly liberalised fixed line market.

said the convergence of communication businesses "is so important and such a high priority that anything else would

New businesses could include E-commerce, entertainment or news services. Although Mr Esser suggested Mannesmann could take steps under its own steam, partnerships with other groups seemed more likely. Mannes-

Yahoo!, the US internet group. Mr Esser, who succeeds Mr Funk as chairman on May 28. played down suggestions Mannesmann would become a "pure telecoms" group.

Its engineering and automo-

tive parts divisions had increased their return on assets last year to 11.3 per cent and 11.7 per cent respectively bringing them closer to Mannesmann's 15 per cent tar-

get set for 2000. However, the tubes division, around which Mannesmann was founded in 1890, is unlikely to achieve that goal and is likely to see a substantial scaling back. Mannesmann has seen substantial divestments under a restructuring programme begun in mid-1995.

#### **Bell moves** nearer to dissolving link with **AirTouch**

By Richard Waters in New York

Bell Atlantic yesterday took another step towards dissolving its partnership with Air-Touch, as it revealed it would abandon a wireless communications joint venture between the two US companies.

The move is likely to increase the pressure on UKbased Vodafone to invest to build its own nation-wide wire. less network in the US once its \$62bn purchase of AirTouch is completed.

in a regulatory filing, Bell Atlantic said that it intends to exercise its option to dissolve PrimeCo, a company that it set up with AirTouch to operate a wireless network in parts of the country where neither side

The alliance never developed far beyond PrimeCo and relations between the two sides have cooled since Vodafone capped Bell Atlantic's own takeover bid for AirTouch earlier this year.

PrimeCo has about 1m customers and a network that covers 41m potential subscribers in the Midwestern and Southeastern parts of the country, making it the secondbiggest so-called PCS carrier in the US. The PCS companies, led by Sprint PCS, represent the first generation of digital wireless cerriers in the US and were created after the Federal auction of wireless licences in

the early 1990s. Based on the price of recent acquisitions, wireless companies sell for as much as \$85 for each potential customer covered by their network, said Mark Lowenstein, a senior vice-president at the Yankes Group, a telecom consultancy. While PrimeCo's networks reach 41m people, its licences cover a potential population

60m in all. If the joint venture is dis-banded. PrimeCo's assets will be divided equally between its owners, the two sides said.

Bell Atlantic, meanwhile, is set to extend its own wireless network into parts of Air-Touch's territory through its pending acquisition of GTE. Its broader partnership agreement with AirTouch forbids such competition but Bell Atlantic has started a legal action to have that agreement torn up.

cent premium over Tuesday's of Enersis, Latin America's closing price, would saddle it largest electricity distributor. with additional debt that would make further expansion in the region difficult. The company has already

invested more than \$2.7bm in

TUROPE

largest electricity distributor. "Endesa has taken on a very heavy debt hurden which will cortainly have a negative effect on its ratings," said Nicolas Fernandez of ibersecuri its 18-month battle for control i ties, the Madrid brokerage.

Lax, Page 16



# Coke agrees deal with Cadbury on Australian brands

By John Willman in London and Gwen Robinson in Sydney

Cadbury Schweppes and Coca-Cola yesterday released details of an exchange of soft drinks brands in Australia following the competition regulator's veto of the sale of the UK

ness in the Australian market

However, the UK group

expects to sell this Australian

business "in time", as it quits

the soft drinks business out-

side the US. Possible buyers

include PepsiCo, which is

number three in Australia, and

venture capitalists backing the

management, with the possi-

bility of an initial public offer-

The new arrangement is

expected to be approved by the

Australian Competition and

Consumer Commission. "It is

tailor-made to take into

account the regulator's

concerns," said the two com-

The announcement re-

inforced their determination to

complete a deal, agreed in

outside the US.

as a competitor to Coke.

BG and Shell also intend to group's beverage business in the country to Coke. promote the use of natural gaspowered vehicles as an anti-The exchange will allow the US group to acquire Dr Pepper, pollution measure in the state. Mr Brandon said future Schweppes and Canada Dry, investment in Comgás's net-Cadbury's three top international drinks, in Australia in work would come from cash return for a package of Coke's flow rather than from fresh local brands. Cadbury will foreign investment. remain in the soft drinks busi-He said concerns about an

uncertain regulatory environment in the state had been clarified in meetings with Brazilian officials. The outlook for the first five year regulatory period was stable, he said. The consortium has received assurances that during the second five-year period it will be able to pass on to consumers any gas price increases, as well as local inflation.

Bankers at J.P. Morgan and Dresdner Kleinwort Benson, the merchant banks that advised BG and Shell, expect the new management at Comgas to return the company to profit by increasing sales volmes and reducing operating costs. They say Comgas, which lost the equivalent of \$1.2m last year, should post profits of \$10m in 1999, rising to

\$28m in 2000. The deal is a significant addition to BG's asset portfolio in the Southern Cone., It has a controlling interest in Metro-Gas in Buenos Aires, stakes in two regional gas pipelines and exploration acreage.

soft drinks. But the companies are prepared to adjust the agreement to overcome objections and still expect to complete the deal before the end of the year.

"There will be other plan Bs around the place like this," said David Lang, food and drink analysts at Investec Henderson Crosthwaite in London. "The deal won't fall down tus because it can't get the go-ahead in a few countries."

The deal involves merging the drinks interests of the two companies in more than 120 companies, though regulatory approval is needed in fewer than 20. It has already been approved in Ireland, Finland, Norway, Poland and Slovakia.

A veto is not expected in the UK, despite the protests of some competitors, since the two companies already distribute their drinks through a single organisation, Coca-Cola Schweppes Beverages. But there are unconfirmed reports in Germany and Mexico.

The Australian compromise, which Cadbury says will have no material impact on the price, will leave the UK group in the soft drinks business in that country. Its Schweppes Cottee subsidiary will retain several minor brands such as Sunkist and Oasis and add Coke's local brands which include Kirks, Halls and

December, for the US group to Shelleys. pay \$1.85bn to acquire Cad-This company will still be the second largest in the counbury's soft drinks interests try's soft drinks market, meet-Regulators were expected to ing the regulator's objection to oppose the acquisition in counthe original deal that it would tries such as Australia where leave insufficient competition Coke is already dominant in for Coca-Cola.

How are we determines the root couse expanding of a failure any where in even the most complicated delivering your networking frontiers? We have just invested \$6.6 million in By investing Riversoft, the high growth software company targeting the management of complex data nerworking environments. The advanced capabilities of its in the best OpenRiver® platform allow for accurate topology mapping, root cause analysis With the rapid expansion of networks map. and the strengths of OpenRiver®, growth We are delighted to be Riversoft's partner for growth at this early stage, helping to turn entrepreneurial vision into market leadership. To see how enterprising thinking can accelerate business growth, visit: www.apar.com or phone (+44) 0171 872 6324. The inexpensal partner dueses by the execute quest enterprising people-Apax Partners & Co

BANKS PARIBAS, SG WORK ON TIMETABLE

**BNP** targets

prepare for

long battle

# Investor group launches cost-cutting revamp

By Tim Burt in Stockholm

investor, the main holding company for Sweden's Wallenberg business empire, resterday announced a wideranging restructuring to cut costs, increase its exposure to start-up companies and reduce it trading discounts

The investment vehicle, which has controlling stakes in companies accounting for almost 40 per cent of the

told shareholders it would by Marcus Wallenberg - the Investor has overseen the vate equity investments from 5 to 15 per cent of its

overheads and impose new performance criteria for core holdings, which include famous names such as Electrolux, the world's largest household goods manufacturer, and Ericsson, the tele-communications group. in the way of alliances, mergers and restructuring."

Peter Wallenberg - who yesterday took over as inves-

Dahlhāck, also appeared to signal a softening in Inves-

rival Enso; sold 35 per cent of Saub Aerospace to British Mr Wallenberg, succeeding Aerospace: and agreed to eteran chief executive Class merge Asiza, the pharmaceuticals group, with Zeneca of

> almost 30 per cent to net agget values. The discount has widened from 12 per cent in the mid-

nology group. figures yesterday, the com-

pany also said its total return in the 12 months to March 31 had declined by 12 per cent. The Stockholm stock exchange produced a total return of 1.4 per cent in

tor's share portfolio - which value of investor's core holdincludes modest performers ings increased by 13 per cent such as SAS, the airline, and to Skr100.8bn (\$12.16bn). Gambro, the medical tech- That growth was flattered by a sharp increase in the share Announcing first-quarter price at Scania, the truckmaker at the centre of bid speculation, and strong demand for Astra. Together Astra and Scania account for 45 per cent of investor's

share portfolio. Investor's most commonly traded B shares rose SKr10

chairman, next week at a

board meeting of Svenska

Générale, the French banks whose merger plans were thrown off course by last month's double-barrelled bld from rival Banque Nationale de Paris, are digging in for a battle that could last as long as six months.

André Lévy-Lang, Paribas chief executive, said: "We don't want to frighten ing ourselves for it to last six months, and I believe we are capable of lasting that

The takeover clock started ticking when BNP's all-share offers for the two banks were authorised by the Commission des Opérations de watchdog, on March 31. However, the process has been held up by a law suit filed by SG and Paribas, that might not be reso)ved before the end of June.

The timetable could be extended still further if SG were to raise its bid for Paribas or BNP were to improve the terms on either of its offers. The official respons of the SG and Paribas boards to the bids were approved for publication yesterday by the COB. BNP's board is to meet tomorrow for the first

isunched last month. SG and Paribas could hasten a resolution to the threeway bettle by withdrawing their suits, which challenge the regulators' decision to allow BNP's double bids. taneous, Paribas shareholders would have to make their minds up without knowing whether BNP had won control of SG.

Mr Lévy-Lang said he would wait to see if the stock market authorities set an adjusted bid timetable. with different deadlines for the two offers, before deciding whether to withdraw the

He insisted that the efforts of Michel Pébereau, BNP chairman, to force SG and Paribas to negotiate a deal had falled. "There has been a blitz-

krieg, saying 'you must discuss, you must discuss, you must discuss'. Well, that has failed. It has failed because we are in a position to say we have a clear project ... which makes better sense. man, said BNP had already succeeded in one respect: it had delayed the SG-Paribas merger, which should have been completed a week ago. However, he said BNP's

plans were largely negative. What is happening fundamentally is that SG Parihas has put BNP in a corner. 1. could develop on its own and wait to find a marriage partner. Evidently BNP thinks it

Mr Levy-Lang said SG and Paribas had been in contact with a number of foreign banks since they announced their merger plans in Febru-

were simply institutions that wanted to work with the new group, not rescue it from BNP sclutches.

#### **NEWS DIGEST**

#### **TELECOMMUNICATIONS**

#### **Global TeleSystems pays** €194.6m to control Omnicom

Global TeleSystems Group, the US-based telecommunications carrier, is expanding in Europe with the £194.8m (\$210m) acquisition of a controlling stake in Omnicom, the French operator. As required under French regulations, GTS's acquisition of 52 per cent of Omnicom's shares means it must now make a full offer. The shares are being sold by the group's founders and management, with a full offer being recommended by the boards of both companies.

Omnicom, which is listed on the Nouveau Marché, specialises in offering telecoms services for small and medium-sized businesses and is France Telecom's main competitor in this market, it has also recently begun mar-

GTS is paying for its initial interest with 1.85m shares, which are listed on Nasdaq and Easdaq, and 695.4m in cash. The transaction price on a fully diluted basis values Omnicom at €396.4m. The price of €195 a share repreaents a 495 per cent premium over Omnicom's placing price in July 1997, and a premium of 6 per cent over the trading price 30 days before April 13. Christopher Price

#### Bayer to sell 55% of Agfa

said yesterday it would float up to 55 per cent of Agre-Gevaert, its photo-imaging subsidiary, on the Frankfurt and Brussels stock exchanges on June 1. Separately, Bayer will sell a 15 per cent stake to the Belgian financial holding company Gevaert NV, which has the option to purchase another 10 per cent of Agfa shares from Bayer after one year. The public offering, likely to be one of Europe's biggest share offerings this year, could be valued at DM7bn-DM8.5bn (€3.6bn-€4.3bn, \$3.9bn-\$4.7bn). Bookbuilding will take place between May 17-28, and the price range announced at the beginning of that period.

Uta Harnischfeger, Frankfurt

#### BANKING

#### Dexia bids to acquire BIL

Dexie, the Franco-Beiglen bank, yesterday launched a bid to acquire the 38.5 per cent of Banque Internationale de Luxembourg it does not already own. The group, a specialised lender to local authorities created from the 1996 merger of Crédit Local de France and Crédit Communal de Belgique, is offering 10 Dexia France shares, five Dexia Beiglum shares and LFr41,000 (\$1,097) for every two BIL shares. The terms, valuing the 38.5 per cent at €995m (\$1.07bn), offer an 11.2 per cent premium over BIL's closing price on Tuesday. If the 642,132 outstanding shares and convertible bonds are submitted to the offer, the group would issue 3.33m new Dexia France shares and 1.68m Dexia Belgium shares. The cash component would amount to €338m. Samer Islandar, Paris

#### INSURANCE

#### **Premiums up 21% for Eureko**

Eureko, the alliance of seven European Insurers, said total premiums increased 21 per cent last year to £818m (\$883m) and ordinary income rose 72 per cent to 664m. However, net income fell from £82m to £70m, due principally to one-off gains in the previous year from the sale of US subsidiaries. Jeff Medlock, chairman, said he would continue to review opportunities to expand the alliance, with the ultimate intention of consolidating Eureko's European presence". Last year the alliance lost out in the bidding for GAN, the French insurer, and earlier this year was outbid by Axa of France for Guardian Royal Exchange, the UK composite. Andrew Bolger

#### Gucci, to discuss Scania, the Swedish heavy truck manufacturer being

By Alice Rewathors

Senior executives of Gucci the embattled Italian fashion group, are expected to meet their opposite numbers from LVMH, the French luxury goods group, today to discuss significant changes in the latter's \$8.7bn offer.

new offer

Gucci's board last week rejected an LVMH offer of \$85 a share, claiming its conditions were unacceptable. It also dismissed an alternative offer of \$91 conditional on Gucci rescinding its recent \$3bn share issue to Pinault-Printemps-Redoute, the

French retail group. LVMH, which had refused to make a full bid for Gucci until manoeuvred into doing so by the secretly-negotiated Pinguit deal, said it would await the outcome of a Dutch court case starting next Thursday before mak-

ing its next move. However, Pierre Godé, senior adviser to Bernard Arnault, LVMH chairman. wrote to Gucci's supervisory board on Monday revising the terms of its \$85-a-share offer. It is now understood to be offering to exercise joint control of Gucci with PPR.

If LVMH's new offer is accepted by more than 50 per cent of the indepent shareholders (who hold 38.6 per cent of Gucci) it wants enough new chares to per cent stake, rather than to take it to 50.1 per cent as

LVMH also requested the right to nominate the same number of board representatives as PPR, and to have the same veto rights. It also asked for an undertaking that Tom Ford, Gucci's chief designer, would remain in his post for at least two

Mr Ford, credited with masterminding Gucci's creative revival, is believed to bold unexerrised options for over 2m Gucci shares (worth \$170m under LVMH's \$85 offer) and to be entitled to a "golden parachute" of \$20m if he leaves the group after a change of control.

Domenico De Sole, Gucci president, la understood to board on Tuesday suggesting their representatives met in Paris today or tomorrow. He is thought to have declined to comment on the

to have indicated it may be

#### Goldman buys into Hapoalim

By Avi Machile in Jerosalem

Goldman Sachs, the investment bank, yesterday bought 2 per cent of Bank Hapoalim, Israel's biggest banking group, from the Israeli government in a \$59.1m block trade. reducing the state's stake to 22 per

The deal, involving 34.7m Hapoalim shares, followed 'very aggressive" bidding by four contenders, including Merrill Lynch and Lehman Brothers, according to Meir Jacobson, managing director of MI Holdings, the govern ment company responsible for privatising banks.

The shares were sold at Shk9.65, a 2 per cent premium to Tuesday's close in Tel Aviv. Haposlim climbed 3 per cent yesterday to Shk9.76.

Israel recently authorised the sale of 8 per cent of Hapoalim after the bank's he said. controlling shareholders, led by Ted Arison, the US-Israeli billiongire, declined an option to increase their 45 per cent stake. The group | vive. Before its official clo- operations to a new terminal holds an option for another ? per cent in October.

It also vowed to reduce

underline its financial

strength yesterday by bring-

ing forward results showing

a doubling in first-quarter

The Investor-controlled

company said pre-tax profits

jumped to SKr1,11hn (\$134m)

in the first three months.

the same period of 1998.

compared with SKr552m in

lift its exposure to high-growth companies and pri-growth companies and pri-prior Wallenberg - who yes-maker Stora with Finnish tor's new chief executive.

> tor's commitment to long-term shareholder controi of large companies. "Ownership must not get

while Scania's sales

increased 13 per cent to

profits of SKr1.5bn-SKr1.6bn.

rebuffed Volvo's approaches

Scania and Investor have

veteran chief executive Class

he said. In the past year die of last year, reflecting

Doubled profits strengthen Scania Truck and bus deliveries co-operation agreement,

> SKr11.8bn. The figures beneand future profitability. Although Volvo has acquired almost 13 per cent fited from strong growth in the European truck market. which analysts expect to be of Scania, talks between the two have been abandoned following a failure to agree Volvo, by comparison, is expected next week to unveil on a price.

back, the outgoing chief executive of Investor, said: "Scania's report for the fir-

strong company with excel-lent opportunities for continclaiming the Swedish automotive group undervalued ued positive development Scania's growth prospects skin its own efforts." But he reiterated that Investor was considering

> and Flat of Italy have been touted as alternative partners to Volvo.

Volkswagen, the two compa-nies' Swedish distribution ioint venture. Scania, including possible

co-operation or mergers. Volkswagen of Germany

Mr Ostling has made clear

he would prefer a comple mentary alliance with a partner such as VW rather than a takeover by Volvo, which would lead to larger overlap in heavy trucks.

Scania's most commonly midd B shares rose SKr3.50 yesterday to SKr237.50.

# Peugeot cool on prospects of merger

M/(suzu

Peogeot-Citroin

Jean-Martin Foiz. chairman of the French group, says it is unlikely to join the rush to the altar

By David Owen in Peris

What now for France's other carmaker? Renault's tie-up with Nissan has changed the landscape for Peugeot-Citroen, destroying the symmetry of a situation in which the country's two carmakers had similar sales It has also, predictably, intensified speculation that

Peugeot-Citroën will, sooner or later, need to find a partner of its own. "Peugeot does look the lenged of the European man-ufacturers," says John Law-business, the only way to creete value is to make more the came platforms." Smith Barney. "In volume Interviewed yesterday in

sion his group was unlikely to join the recent rush to the altar any time soon. "We have looked around us at the different options. There are not as many as all that. We have reached the conclusion that the options open to us presented more drawbacks than advantages

for Peugeot-Citroen." At the same time, he emphasisod that the group had nothing against mergers and would continue to look. "We are the product of a merger and an acquisition, said, adding: "We think that merging two companies only makes sense if you can create value. We believe

very strongly that in the car



vota/Daiftats: imler-Chrysler

cars on the same platforms." By this logic, he

ed, any thought of a man, left the clear impresbought by Ford, would have made little sense.

"We are in different technological and architectural possibilities for doing things in common between Volvo and Peugeot-Citroen are medium-term." The French company.

which sold 2.28m units in 1996, is aiming to lift output to 3m within five years, and to build 2.5m of them on just "I clearly prefer this situation to making 4m or 5m

cars on 25 or 30 platforms, Mr Fol2 said. "I do not believe the quest for size in the absolute is an important criterion in the car

But what if bigger competitions were able to match or other elements such as European job losses to be exceed Peugeot-Citroën's performance in terms of out-put per platform, while also in its initial offer. LVMH Paris, however, Jean-Martin link-up with Volvo, the manufacturing more

According to Prof Garel Rhys, director of the Centre for Automotive Industry earch at Cardiff University Business School: "Lean production was never a substitute for volume.

"Even if going from production of 2m to 4m only reduces a company's unit cost by, say, 6 per cent, margins are so tight that if it passes this cost advantage on to customers, a rival of similar efficiency producing 2m units a year could not make any money." Prof Rhys added

Mr Folz, by contrast, indicated that even if a rival managed to build, say, 5m to 6m cars on three platforms. ence in its costs would be

capacity to adapt and com-

thermore that our organisation, our speed of reaction. our product range give us an important asset compared with groups that are, per-haps some of them, too big." Most analysts seem to agree that there are draw-

backs associated with all the companies most often cited as possible partners for Peugeot-Citroen. There are thought to be few signs that Honda - "the obvious partner", according to Keith Hayes, analyst with Goldman Sachs - is inter-

ested in an alliance. BMW has its hands full with Rover. Any tie-up with Fiat, one of the companies with which the French group has co-operation pro-

mercial agility.

"I do not see our size as a major strategic handicap," he said. "And I observe furble said. "And I observe furble said." that, with background

trends so far working in Peugeot-Citroën's favour this year, the company is under little immediate pressure. "Peugeot will have an excellent 1999," said Sabine Bitmel, analyst with IMI in

London. "They have to make he most of it." Many observers equally

expect, however, that in the long term the company will become part of a bigger group. "For the next couple of years they are fine, as long as they are well man-aged," said Greg Melich of Morgan Stanley. "If you are talking about 20 years, they probably will be part of a

# PAL's new flight plan faces heavy weather

Success of the Philippine carrier's proposed revival strategy is by no means assured, reports Tony Tassell

Vurrection, the fate of Philippine Airlines still hangs in the balance. Asia's oldest commercial

brief official closure last September but is still facing formidable challenges to stay in the skies under a proposed revival plan. The Philippine Snancial

authorities are poised to extend the deadline for the plan - originally scheduled for today - but over the next 48 days, the receivers to the carrier will have to find a \$200m cash infusion, fend off aggrieved creditors and resolve a power struggle between management and the controlling shareholder. Lucio Tan, the Filipino-Chi-

nese tycoon. It is a demanding agenda but Peter Foster, chief company adviser to the airline ues and we are making progrecently recruited from Cathay Pacific, remains confident, "We always knew it was going to be a long and arduous road but we remain hopeful we can resolve this to the benefit of the airline,"

The key challenge will be

to secure \$200m in cash by a

learly six months after incurred steep lossesas a tis first death and result of a litany of nechurrection, the feet

These included a \$2.2bn debt burden, falling demand for air travel, the slide in Asian currencies against the a 22-day pilots' strike and an over-ambitious fleet expansion just before the regional nic crisis struck In the nine months to

December, the airline lost

almost a \$1m every day.

leaving it with an excess of

liabilities over assets of more than 5bn peace (\$130m) at the end of December. Despite the airline's continuing problems, Mr Foster says there has been interest from potential investors although he declines to identify them. He says, however, they include local and for-

eign institutional investors. The equity search continress," he says of the cash infusion, which will account for 90 per cent of the airline's equity. Mr Foster said once the

ing positive cash flow. Apart from a severe debt restructuring, the new plan June 4 deadline. Without it, also calls for the sale of nonthe airline is unlikely to sur- core assets, the relocation of sure in September following in Manila, the downsizing of such reports. a labour dispute, PAL had the fleet and new marketing

revival plan was accepted,

the airline would be produc-



have one fallback option for the cash injection - Mr Tan.

A close associate of the late dictator Ferdinand Marcos and one of the most politically influential businessmen in the Philippines, Mr Tan has agreed to provide the \$200m if no other investor can be found, according to government officials. This may raise its own

problems because of ongoing tensions between Mr Tan and the new management advisory team led by Mr Foster. People close to PAL indicate Mr Tan has recently been trying to remove the team from power. The enigmatic and usually

media-shy Mr Tan has

declined to confirm or deny

If he provided the cash

injection, the tycoon would control nearly 95 per cent of the equity of PAL and would be expected to attempt to replace the management This in turn could alienate

some creditors who ed opposition to an earlier revival plan before the new team was recruited because of the mana influence of Mr Tan. ohn Gibbs, manager of

the recoveries division of the UK government's Export Credit Guarantee Department, says there is clearly a "power play going on between existing and potential investors". Although PAL's receivers

thirds of its creditors, includ-

Ren's and unrique European

export credit agencies, the

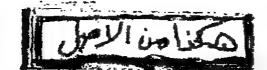
Chase Manhattan Bank, domestic banks and the

> Association, the airline industry's ambrella body. . But the airline has friends in powerful places. Joseph Estrada, the president, gained political kudos for brokering PAL's return to merations

International Air Transport

It has been widely rumoured that Mr Tan was persuaded by Mr Estrada, a close friend of the tycoon, to provide the offer of the \$200m cash injection. Ian Wild, airlines analyst

with SC Securities, says PAL still faces a long road ahead of it towards recovery. claim the support of two-The chances of it actually ing the US Export-Import prospering are somewhere



# battle

WORK 47/045

TeleSystems pays

im to central Omnion

#### COMPANIES & FINANCE: ASIA-PACIFIC

# targets, NTT shies are for away from bid battle for IDC

the Japanese telecommunications group which is bidding for IDC, suggested yesterday that it was not prepared to be drawn into a protracted battle with Cable and Wireless of the UK over the international carrier.

Junichiro Miyazu, president of NTT, hinted that the company was not aggressively pursuing IDC.
"IDC asked NTT what kind of stance it would take

on IDC. We just responded to their inquiry," Mr Miyazu said of NTT's takeover bid. Mr Miyazu's comments come on the eve of today's IDC board meeting, at which the company is expected to choose between the two

Mr Miyazu emphasised that NTT would acquire IDC only "if there is unanimous agreement and if NTT is asked to buy [IDC]".

NIT is believed to have proposed a share swap that relinquish its stake follows would allow it to acquire IDC in spite of C&W's pre-emptive rights.

founding shareholders. shareholders, including C&W which has a 17.7 per cent stake in IDC, C&W has the right to match any stake

takeover offer

The NTT president noted that his company was capable of building its own international business but acquiring IDC would speed up the process. NTT has been known to be keen to acquire IDC.

However, Mr Miyazu's lukewarm comments could reflect divisions within NTT over the importance of IDC to its global strategy. "There are proponents and

opponents of an acquisition [of IDC]," says Toshiaki Iba, telecoms analyst at Tokyo Mitsubishi Securities in

"Some within NTT are against paying such a high Drice," he noted NTT also faces uncertainty over the structure of its proposed bid, which relies on

a revision of Japan's commercial code that has not been finalised. "fro-execute" a "squeeze-out" provision to force C&W to western examples, it would require the consent of 90 per cent of shareholders to

squeeze out minority However, C&W insists that voluntarily relinquishing its

# Spending out of fashion for retail group and customers

Ito-Yokado defends its cautious approach after being criticised

were mishing to open new

stores, but Ito-Yokado was

concentrating on improving

its profit margins by devel-

oning strengths in team mer-

large amount of cash."

levels low.

chandising and supply-chain

The contrast with its main

rival in the sector, Daiei, is

striking. While Daiei is

struggling to stay afloat

Ito-Yokado is hoarding its

for sitting on large cash reserves. Naoko Nakamae reports A seatoshi Ito, the retailer in the world in terms average of 21.5. Ironically, its founder and biggest of market value, according refusal to spend cash minabaruholder of retail to Morgan Stanley.

Also, it has the highest group Ito-Yokado, is extremely pessimistic about credit rating in the Japanese the prospects for the Japaretail sector with a rare Aas nese economy. His long rating from Moody's. Globally, only Marks and Spencer experience at the helm of one of the country's leading of the UK and Wal-Mart of retailers means his views Masafumi Shoda, retail provide an ominous sign for

has been hit badly by Japan's economic slump. "I believe the economy is still on a downward trend and deflation will get worse. I think the recession will last another three years," says Mr Ito, who is now honorary chairman of the

the struggling sector, which

Ito-Yokado is bracing itself for more pain because if Mr Ito's predictions prove correct, the retailer, along with the rest of the sector, faces a tough time. Like many others, it has already seen its net profits fall for two con-

secutive years. But many analysts believe it is the best-positioned group to weather the recession. For a start, it has the right credentials. The company, which was ranked 122 in the Fortune 500 last year, is the seventh largest compares with an industry

of the Japanese consumer that have resulted in profit

contraction for the retailer. The question is whether this is the time for Ito-Yokado to start spending. analyst at Nomura Securideflationary environment ties, says another source of strength is its cautious manvides a splendid opportunity

> ut Mr Ito disagrees. First, he believes that the general superstore tion point. Second, he points out that even though tese real estate prices are falling, they are still

He also says that dwind-

ling retail sales give little cash and keeping its debt incentive to open new stores. We opened nine new At the end of the last fiscal year, Ito-Yokado had Y367bn stores in fiscal 1998, but (\$3bn) in cash and deposits by far the largest amount in



part-time workers. This is how severe the retail envi-

ised by some analysts. "Ito-Yokado is in a difficult environment, but it is being overly conservative. It is not taking advantage of the opportunities it has - with the result that there is not a lot of growth, says Michael Allen, retail analyst at ING

Baring Securities. "Its high rating and low and it could increase its capand labour cost increase for ital very easily. It has the

financial capability of all Spencer-type strategy with Japanese retailers," he says. emphasis on quality and Other analysts say some of

Ito-Yokado's existing stores Ito is adamant that the company is not ready to start spending. "I'm still pessimistic about the economy and think the best way to weather this recession is to be cash-rich and lean," he

"We intend to use the cash in the future when the right Meanwhile, Ito-Yokado is carefully considering its

strength in apparel - is one

His raluctance to make a quick decision stems from these days, customers are

both design and price." He said the group must be matic consumption trends "where even small mistakes

# Redchip bond scaled back

China Merchants Holdings bly one of the strongest (International), the main- credit stories among redland-backed shipping congiomerate listed in Hong Kong, dealt a sour note for the redchip sector when its convertible bond - the first such issue this year - was heavily scaled back amid

The company had been hoping to capitalise on the bullish sentiment that has descended on Hong Kong by CBs which could be converted into shares at a conversion price of HK\$5.12, compared with the last closing price before the deal of

China Merchant's sponsors were only able to sell half that amount plus an over allotment of \$10m. Merrill Lynch said the offering was scaled down "in the light of current market conditions and the fact the company only needs \$60m to fund its proposed acquisition".

Bankers said the outcome of the deal meant the oppor-

China Merchants is probachins, so if that had a hard time the prognosis is not great for other redchips,

said one investment banker. Few capital raising exercises have taken place in Hong Kong this year; and take-up has been slim with share prices usually falling after execution. Two mainland privatisations, or H share issues, were pulled in January and February

China Merchants was the first redchip to test the waters since a flurry of share placements in early November, when six compa nies raised a total HK\$2.7bn (\$348m) on the equity capital

appetite for redchips has been quelled by concerns over a possible currency devaluation - ruled out by Beiling - and the collapse of Guangdong International Trust and Investment Corp. the investment agency that collapsed in October with tunities for other redchins to debts of \$4.37bn.

# ANOTHER STERLING RESULT

# Kingdom of Spain



£200 million 5.25% bonds due 6 April 2029

Sole Bookrunner

March 1999

#### Daewoo suffers after debt rating cut

By John Burton in Secol

Daewoo, South Korea's yesterday denied it was beading for a financial crisis after Standard & Poor's cut the credit rating for the debtheavy group's parent company, Daewoo Corporation.

Shares for most of Daewoo's listed companies fell on the Seoul bourse in response to the downgrade, including a 5.9 per cent decline for Daewoo Corp to Won3.860.

S&P reduced Daewoo Corp's rating to B. after its debt more than doubled to \$18bn last year from \$8bn in 1997. It warned a further downgrade was possible if Daewoo was unable to reduce its debts and shed underperforming businesses.

Korea's Fair Trade Commission recently said total debts for the Daewoo group soared by 40 per cent to nearly Won60,000bn (\$49,1bn) last year. Daewoo said it cut its debt/equity ratio to 300 per cent at the end of 1998, but this was largely due to a

re-evaluation of assets. Kim Dae-jung, the Korean president, yesterday warned that the government would disallow asset evaluations by Daewoo and other leading conglomerates, or chaebol, as they seek to reduce their debt/equity ratio to 200 per cent by the end of 1999 under

state orders. Analysts estimate Daewoo's debt/equity ratio is 500 payments but the local debt per cent if asset re-evaluations are excluded.

#### Indonesia considers chemicals merger

By Sander Thomas in Jakarta

merger of three troubled petrochemical companies in an effort to restructure debt. Achmad Gozali, director at the trade and industry ministry, said the government merger of Chandra Asri, Tri Polyta and Petrokimia Nasional by the end of the

The government is considering taking over the majority stakes held by three Indonesian shareholders of Chandra Asrl and Tri Polyta, as payment for large debts to

Local officials said Prayogo Pangestu, a close associ ate of former President Subarto and biggest shareholder in Chandra Asri and Tri Polyta, proposed the equity swap to President B.I.

Habibie last week. A local newspaper yester day reported that officials expected BP Amoco, owner of 51 per cent of Petrokimia, to buy roughly 50 per cent of Chandra Asri, Petrokimia's main supplier. Tri Polyta would be merged with the

The government would become a majority shareholder, and thus be more amenable to the company's request for a debt rescheduling. Marubeni, the trading company, and other Japanese lenders have agreed to reschedule only principal carries much higher interest

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Quattrone warns.

sector and six times as hig.

as the US utility sector, the

components of the US stock

bones recognises that there

is a category of companies

called internet which is

changing the world and rep-

resents the future. And they

know that the category of

stocks 10 years from now

will be worth a lot more

than today. Unfortunately

there are only a very few

stocks they can invest in."

In-many cases stocks had

been bid up to levels that

cannot be explained.
"If they invest in 20 of

them they can make 19 mistakes, and if they get one of

them right they think they

will make an awful lot of

Investors are being

tempted by the hope they

can match the returns of the

original investors in Intel

who have seen a 40,000 per

cent increase in their origi-

The average stake of the

15 companies in Mr Quat-

trone's technology IPO "Hall

of Fam. valued at \$1,329bn,

has risen by 5.756 times and

Mr Quattrone believes the

rise in share prices will

underpin another "block-buster" year for initial pub-

lic offerings, mergers and acquisitions in the US high-

nal stake.

tech industry.

NEWS DIGEST

**KPNQwest might seek** 

KPNQwest, one of a new generation of upstart carriers

networks, is considering a stock market listing to help

A joint venture agreement between the Dutch carrier

alised earlier this week. The venture's operations will be

and Qwest's European internet service provider, EUnet,

With \$800m in debt finance, to be raised from banks

and in the bond markets in the coming weeks, the two

companies said they planned to extend their high-speed

network to 9,100 miles by the end of 2001, spanning most

The joint venture would consider a stock market listing

after the debt has been raised, said Jack McMaster, an

executive vice president of Qwest. Such a move would

give it "a currency to expand", he added, making it easier

to buy other internet service providers and data services

proved very willing to finance a spate of untested telecome

companies. The US equity and junk bond markets have

ventures in recent years, supplying billions of dollars of

high-speed telecoms infrastructure. KPNQwest is likely to

try to raise debt in the form of euros in both the US and

European high-yield bond markets, Mr McMaster said;

though he refused to say on which side of the Atlantic #

what amounts to venture capital to support a new

based initially on KPN's existing 2,100 fibre optic network

with ambitions to create Europe-wide telecommunications

finance future acquisitions across the continent, according

KPN and US-based Qwest to create the company was fin-

stock market listing

to a US executive involved in the venture.

which claims nearly 84,000 customers.

money." said Mr Quattrone.

Mr Quattrone said.

Hi-Hed Bank of Ma

BUT BATTE STREET

"Everyone deep in their

over internet

publicly traded US internet traditional heavyweight

More than half of all

stocks, valued at \$200bn-

plus, will turn out to be

completely and utterly

overvalued" in five years

time, according to a senior

No more than one in 10

will prove to have been dra-

matically undervalued at

current share prices, said

Frank Quattrone, who has

been behind many of the big-

est deals in Silicon Valley.

the number of quoted inter-

net stocks has risen from

four, valued at less than

Over the same period their combined revenues have

risen from \$1.3bn to \$10bn

while their combined losses

have risen from virtually nil

to \$1.9bn. "The price to loss

ratio has expanded dramatic-

ally," said Mr Quattrone,

who said the average inter-

net stock was trading at 23

times revenues and many

are trading at up to 40 times

Mr Quattrone, who hit the

eadlines last year when he

and his 150-strong team

defected from Deutsche

Bank to Credit Suisse First Boston, said that despite the

high risks, investors could

afford to ignore the growing

importance of the technol-

ogy sector. It has risen from

index in 1964 to 19.4 per cent

It is now more than three

TELECOMMUNICATIONS

.5 per cent of the S&P 500

future revenues.

\$2bn. to 100, worth \$231bn.

Over the last four years

IIS investment banker.

Arct

TECHNOLOGY BANK OF AMERICA AND BANK ONE ESCALATE COMPETITION FOR INTERNET SCHEMES

# Big rivals start online billing services

works."

America, formed by the

merger of BankAmerica with

NationsBank, is trying to

sumer bank in the US, and

believes it can build on the

advantage of this by estab-

lishing its own network of

Its own product is at an

Warner returns to profit

Bank of America and Bank One, the two largest US retail banks, launched rival services yesterday to offer customers bill delivery and payment online, in a sharp escalation of the competition to offer banking on the inter-

The news came a week after a sweeping restructuring of the Integrion consertium, which both banks use as the technology platform for their online banking products. The three banks which now control integrion are BoA. Bank One and

ing and broking stocks had for the first time transferred to small companies offering online banking.

Both the new schemes allow for customers to be presented with their bill online, and then pay it through clicking on a box. chise area. This is a significant technological advance on bill payment schemes currently available

Bills can be paid online, but billing companies still need to send the bills to customers conventionally. Chicago-based Bank One.

followed signs that the fren- of Banc One with First Chizied buying of online retail- cago NBD, will offer the service to all its customera, concentrated around its branch network in the mid-west. It has signed up 15 companies to present their bills to Bank One customers online most are large utilities oper-

> The billers have been signed up by Atlanta-based CheckFree and the scheme has been in a pilot stage for three months.

ating in Bank One's fran-

earlier stage, and will be William Fenimore, Inteoffered to all its customers grion's chief executive. in California later this year, claimed: "What we have but it is now being used only delivered here is what others by the bank's employees.

about. This is real, and it ented on the system at pres- tronic bill presentment using ent come from the bank's an open and inter-operable Charlotte-based Bank of own credit card company.

It will use the Open Financial Exchange (OFX) software standard, as opposed to build relationships directly Integrion's IFS standard. with billers. The bank is which will be used by Bank comfortably the largest con-According to Jane Wal-

lace, BoA's head of electronic bill presentment, the bank's offering will build on the billing system Bank-America had established in California.

She said: "To the best of our knowledge, we believe this is the only financial services provider that's live and

last year when Castle Rock's

lack of success dented the

Cash flow from publishing,

which includes Time and

Fortune, rose 11 per cent to a

record \$94m, while music

TRS cable, which includes

CNN, TNT and the Cartoon

Network, also had a record

quarter with cash flow up 20

the Dow-Jones Average's

move above the 10,000 level.

CNN websites recorded a

three-fold increase in visits

Cash flow from the group's

cable systems, which serve

almost 13m subscribers, rose

6 per cent to \$403m, which

represented a 10 per cent

increase after adjustment for

sales and exchanges with

Aggregate cash flow for

the whole group, discounting

these transactions and the

MGM video distribution set

tlement, rose 24 per cent dur

other operators.

to 1.6bn page impressions.

With interest sharpened

conflict in Kosovo and

per cent at \$184m.

grew 10 per cent to \$102m.

The announcements also formed by last year's merger have only been able to talk. The only bills being pres- operational offering elec-By William Hall in Zurich

> She said the OFX platform would allow billers to invest in the technology to present bills directly online, without worrying that they would be required to make further investments to cover the requirements of new stan-

David Fortney, Integrion's director of development, said the company had a "preferred relationship" with CheckFree, but that member banks were free to decide on how they would make hill

By Christophor Fales in Los Angeles

**Hughes Electronics stock** 

to \$57% at noon. Excluding exceptional items, which included a gain of \$155m before taxes from a legal settlement, profits were down 25 per cent at \$40.1m,

or 10 cents a share (18 cents). Michael Smith, chairman and chief executive, said growth and value driver" for subscribers at the end of the quarter under review, and doubled revenues from its Latin American operations,

a 39m deficit. DirecTV's revenues rose 44 per cent to \$557m, aided by a 34 per cent increase in US sales. While the Latin America service added 70,000 subscribers for a total of 554,000, DirecTV Japan, 42 per cent owned by Hughes, gained only 29,000, rising to 260,000.

which is still the biggest contributor to revenues reported sales of \$630m against \$624m. Excluding the charge for the contract cancellation, cashflow - defined as earnings before tax, interest, depreciation and amortisation ~ rose 21 per cent to \$80m

The loss of the contract

big news events such as

and the company said it had lost a contentious contract to launch an Asian telecommunications satellite system resulting in a one-time pretax charge of \$22m - Hughes shares had risen 4 per cent

DirecTV had become "a key the company. With 4.8m US the division reported cashflow of \$3.9m. compared with

Satellite manufacture,

with Asia-Pacific Mobile Telecommunications of Singapore was expected, after Washington refused on security grounds to license it for launch on a Chinese Long

#### Hughes lifted by **DirecTV**

rose sharply on Wall Street esterday after the company said its DirecTV satellite broadcasting venture had "turned the corner" in the

Although group cashflow slipped in the first quarter

## Washington Mutual. JP Morgan surpasses all expectations

120

Jul 1996

ing its strategic agenda of

building investment banking

and equities, releasing

underemployed capital and

looking down the barrel of a

rifle for the last three or four

quarters," said Derek Sword.

hank analyst at Keefe, Bruy-

ette & Woods, the US

"He will go home tonight a

happy man. It probably

takes J.P. Morgan out of the

potential clutches of a Dresd-

He added that although

Morgan had been helped by

jump in return on equity

gan's earnings tended to be

he seen whether the

Morgan raised its profile

with landmark deals that

included the merger of BP

revenues jumped 91 per cent

spreads and recovering cli-

exposures in Latin America

and Asia had been reduced

last year's market turmoil. | Year 2000 computer date

Mr Warner said credit

heavy trading flows, the

could not be attributed sim-

ner or an HSBC."

brokerage

Sandy Warner has been

improving productivity.

By Tracy Corrigan in New York

promises of improved returns yesterday, delivering a 64 per cent surge in first-

quarter earnings. The stock rose 3914, nearly 71: per cent. in morning trading to \$138%. after J.P. Morgan announced earnings per share of \$3.01 for

the first quarter. This dramatically outstripped Wall Street analysts' estimates of \$1.73, according to First Call.

Although investment hanking earnings are notoriously unpredictable, such a wide divergence is unusual.

The bank announced first-\$89m. up from \$96m before a charge a year ago, on revenues of \$2.5bn. up 25 per

Return on equity jumped to 22 per cent, just below that of industry leaders such as Merrill Lynch. Its return on equity had lagged below 10 per cent in some recent quarters, before charges.

J.P. Morgan has been struggling for 10 years to convert its commercial banking franchise into a profitable investment banking

But the cost of building its ply to market conditions. equities and mergers and acquisitions businesses has However, he noted that Mordepressed returns. This has led to speculation volstile, and it remained to

it could be a takeover candidate, although the bank has improved performance was insisted it wishes to remain independent. Investment banking revenues of \$258m Sandy Warner, the bank's and Amoco. Credit market

chairman, told shareholders at its annual meeting yester- to \$896m on narrowing credit day that "strong client activity, effective management of ent demand, the bank said. risk and cost control combined to produce a strong

He said the bank had by 40 per cent and 50 per made significant progress in cent respectively following have speculated that the

#### in Los Angeles

Time Warner rebounded from a \$62m loss in the first quarter of last year to a net profit of \$138m this time, beating analysts' forecasts.

Earnings per share, after preferred dividends, were 10 cents compared with a deficit of 12 cents, in what Gerald Levin, group chairman, described as an "exceptionally strong" quarter.

All the wholly-owned divisions - publishing, music, TBS cable networks and TBS films - reported strong growth in cash flow. The Entertainment Group, which includes Warner Bros, the HBO cable networks and cable systems, contributed \$342m in pre-tax profits compared with \$107m last year. Warner Bros, the film and

TV programme division. reported cash flow up 190 per cent at a record \$346m, boosted by a \$215m net gain from the early termination of its video distribution agreement with Metro-Goldwyn-Mayer. Excluding this benefit,

Consumer demand for

high-performance home PCs

is so strong in Germany that

Intel, the world's largest

chipmaker, has been "scram-

bling to keep up with

demand" for its Pentium III

Rob Eckelmann, head of

Intel's European, Middle

East and African operations.

said yesterday: "The German

market has become one of

the real engines of growth.

On the consumer side in par-

ticular, people are buying

the latest technology at the

best prices in the world."

PC market and is fiercely

Mr Eckelmann said Intel

had not detected any "Year

2000" effects in current trad-

ing. Some industry analysts

By Paul Taylor

microprocessors.



cash flow, defined as earnings before interest, taxes and amortisation, rose 10 per cent, the company said. Hit films in the quarter

included You've Got Mail and Analyze This. Prospects for the new reporting period have already been enhanced by the early success of Matrix which prossed \$77m in its first two weeks on US

The TBS film division, mainly comprising Castle Rock and New Line, improved with a record \$29m

"flat to slightly down" in

Europe - in line with nor-

German sales boost Intel problem might prompt buywere up 18 per cent from ers to bring forward their PC \$6bn. Net income was \$2bn. purchases this year. Howup 57 per cent from \$1.3bn. ever, he said Intel expected second-quarter sales to be

> sonal variations. Mr Eckelmann's comments followed the release this week of strong firstquarter results from the US chipmaker. The company cited strong sales of its Pentium III processors, which because of cost controls. were launched in February, as one of the reasons for its

ings. This could help dispel fears of a downturn in the high-technology sector. The results had been anxiously awaited after the shock profit warning from Compaq Computer, the world's largest personal

higher-than-expected earn-

computer

Earnings per share rose 58 per cent to 57 cents, from 36 cents in the first quarter of 1998, adjusted for a 2-for-1 stock split earlier this

Gross profit margin for the quarter was 59 per cent of revenues, well above Wall Street estimates. The company said this was largely The US group said it recorded normal seasonal

moves in the PC market during the first quarter and was basing its production plans on the assumption that this would continue throughout the rest of the year.

Business had picked up in Japan and was strong in Taiwan and China. Europe also remained strong. boosted by the rapid growth

#### might seek to list its shares. Richard Waters, New York CHEMICALS

#### **DuPont in joint venture**

DuPont, the US-based chemicals and life sciences group, said yesterday it would be a 50 per cent partner in a joint venture with Alpek, the privately owned Latin-American: petrochemicals company, and Japan's Taliin to produce polyester filament yarn in the Americas. Terms of the deal were undisclosed. The joint venture will have more than 850m pounds of capacity and revenues of about \$800m.
This is the next step in our plan to adopt a new busi-

ness model for DuPont's polyester enterprise based on strong joint ventures," said Eduard Van Wely, DuPont senior vice president. DuPont and Teijin recently announced a 50/50 global joint venture to make and set polyester films. Tracy Corrigan, New York

#### ENGINEERING

#### Harnischfeger faces proxy fight

Harnischfeger Industries, the troubled US manufacturer of mining and paper-making equipment, could be headed for a proxy fight after a dissident shareholder gave notice it a proxy fight after a dissident shareholder gave notice-it was seeking to change the company's bylaws so that all "significant transactions" would have to be put to the group's shareholders and a new "non-management" chalman would be brought in to head the company.

News of the potential proxy fight by Thomas Taylor, an investment adviser to the Texas-based Bass family, was

given in the filing with the Securities and Exchange Commission. Mr Taylor and the Bass family, well-known for its aggressive investment activity in struggling companies, are part of a shareholder group that that owns 8 per cent of

Mr Taylor recently ignited shares in Hamischfeger when he mentioned in an earlier filing that the group had received a buy-out approach. Nikki Tait, Chicago

#### Banking

#### Fleet Financial ahead 36%

Fleet Financial Group, the Boston-based bank that last month announced that it was acquiring BankBoston for \$16bn, chalked up a strong performance in the first quarter of the year, with earnings rising 36 per cent to \$438m, or 72 cents a share. By mid-session, Fleet's shares had gained more than the banking sector as a whole, up \$14 or 3.3 per cent at \$441/2. Terrence Murray, chief executive, said the quarter was spectacular. "The business momen-turn we felt in 1998 has accelerated in the early part of 1999," he explained. Earnings at the brokerage arm Quick & Reilly doubled to \$47m, boosted by a strong performance in online trading. Overall revenues increased 23 per

# **ENERGIS** NASDAQ Symbol: ENGSY SUCCESSOR SPONSORED AMERICAN DEPOSITARY RECEIPT (ADR) FACILITY Established by www.adrbny.com

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# Free internet leading way towards the disposable PC

Services are often worth more than hardware, writes Roger Taylor

of an innovative free service providing people with everything they need to connect to the internet. The news came just days after Compaq, the largest computer-maker in the US, said it would earn roughly half of what Wall Street expected in the current quarter.

troubles of the computermakers and the popularity of new free internet and free PC offers marks an important point in the development of the personal computer - the value of the software and hardware is now significantly less than the value of the services that can be delivered with such technology. Indeed, it is probably less even than the value of customer information that can be obtained in return for a computer.

The latest free offer, from PowerChannel, has several new twists. Customers use However, most of its revenue their televisions instead of comes from placing adverts the usual monitors. Users on the computer. get a "freePCTV" set-top box which plugs into their TV DirectWeb of New Jersey and is operated with a wire- and Gobi of New York - are less remote control and key- also offering "free PCs". board. The box provides However, they give PCs to e-mail but cannot perform the other functions of a PC. PCs are of reasonable qual-The customers get free, ity with 300 Mbz processors, unlimited internet usage colour monitors, speakers

PowerChannel aims to ake the offer pay by col- and most up-to-date comput-

his week saw the launch lecting data about patterns of internet usage and by surveying its customers. It will then sell this information to marketing companies as a cheaper alternative to expendve public opinion surveys. FreePC.com, which was

first to market with a free PC offer earlier this year and a start-up like PowerChannel, also works on the fact that the value of the perin return for the PC is more

The challenges facing PC-makers are unlikely to get any easier in

Two other companies

the future

and Windows 98 software. These are not the latest

their internet service. The

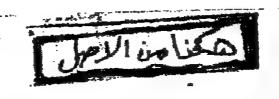
level of functionality which would give adequate internet access and processing power for many users. Brian Halla, chief execu

ers. However, they provide a

tive of National Semiconduc tor, the chip manufacturer, has long been an advocate of the free PC, and his comlargest beneficiaries of the growth of the free and ultrachean PC market. He says the final stage of the commoditisation of the PC market has not yet been reached that will come with the arrival of the disposable PC in the not too distant future.

This trend is linked also to the growth of handheld computers and other forms of internet access device, such as PowerChannel's PCTV. The aim is to create devices that are easier to use than traditional PCs and which may come in a variety of

To some analysts, these developments mark a seachange in the computer industry, in which internet access devices could become as commonplace and cheap as digital watches. Companies such as IBM are already access to the internet and people who agree to buy talking about the post-PC era. While most observers think such talk is premature, it is a reminder that the challenges facing Compaq and the other PC-makers are unlikely to get any





# rone warm

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west might seek

market listing

# Eurotunnel seeks US partner for telecoms side

By Susanna Voyle

Eurotunnel, which operates the Channel tunnel between England and France, is seek-telecoms operator providing ing a US partner to help it services between London develop its telecommunica- and Paris, and a cables infrations business, and is already in talks with some US telecoms operators.

coms operations had a turnover of £8.9m (\$14.3m) last the telecoms market in 1996

achieved in 1997. The business has two separate activities: European Telecoms, which acts as a commercial structure side.

It is in the first of these two businesses that Euro- start of this month. The opment The group said its tele-tunnel hopes to find a partner. Eurotunnel moved into year - three times that after the European industry

was deregulated - taking while it needs the marketing ting it take an equity stake vices for customers. The dry advantage of the spare experience that an estab in its telecoms business. capacity on its own fibre optic network which it use for operational equipment

Alain Bertrand, managing director of the telecoms operations, said the network had been completed at the group hopes that its busioperators which do not yet have European operations,

lished telecoms company would bring. "We are not big enough to generate many trand. "I think things could more contracts," said Mr Bertrand. "But together we

Europe." Eurotunnel would consider setting up a joint venture with a partner, or let"We are having interesting enables high-capacity cables to be put in place quickly

speed up this spring." Eurotunnel Telecoms has could accelerate and invest . 20 operators and companies in further geographic devel- using its services.

The cables business allows in mainland operators to install their own equipment as well as providing cabling, installa-

easily than by running them over the sea bed. The business has just completed the installation of a cable in support of British

Telecommunications' pan-European network.

and maintained much more

#### NEWS DIGEST

BANKS

#### Midland takes over Mid-Med Bank of Malta

Midland Bank, the UK aubsidiary of HSBC Holdings, is to take control of Mid-Med Bank, in a deal that values Maita's largest commercial bank at about LM102m (\$258m). It agreed yesterday to buy the 69.8 per cent holding in Mid-Med owned or controlled by the Maltese government, and to make an offer for the outstanding minority at the same price. Midland is the only international bank with a full banking licence in Malta. HSBC said yesterday it would review whether Midland's one local branch and Mid-Med's

60-plus branches would continue to be run separately. Midland has agreed to pay 1.537 times Mid-Med's net assets of \$183m at September 30 1998. Subject to adjustment after due diligence, this would value Mid-Med's shares at LM2.90, a 31 per cent premium over the average price over the past six months, and the government's direct and indirect stake at almost LM71m. The government will also receive LM12m to provide guarantees and to accept deferred payment of part of the purchase price. Clay Harris and Godfrey Grima

#### Publishing

#### Elsevier 'always talking'

Reed Elsevier told shareholders in Elsevier, the Dutch half of the Anglo-Dutch publisher, that it was "always talking" to fellow publishers and competitors on "all forms of co-operation". The comments at Elsevier's annual meeting in Amsterdam, from Herman Bruggink, co-chief executive, followed speculation that the group had renewed talks with Wolters Kluwer, the Dutch group with which it almost

Mr Bruggink added that he could "give no guarantees" that the company's new chief executive would be appointed soon. Last week Reed Elsevier ended discussions with the leading candidate for the job, Jonathan Newcomb, chairman and chief executive of Simon & Schuster, the US book publishing group.

At the meeting yesterday, Elsevier shareholders approved the implementation of the unitary management structure proposed last year, with a single chairman and chief executive. Reed International's annual meeting is due to take place in London today. Cathy Newman.

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#### M&S franchise in Turkey

Marks and Spencer, the retailer, is expected today to name a new franchise holder for Turkey after the previous one ran into financial difficulties unrelated to the retail business. M&S is understood to have signed an agreement in London this week with Fiba Holding, a finance and retail group that owns Finansbank, a middle-tier bank, and Gime, a domestic chain of 54 grocery stores. Leyla Boulton in Ankara

# Greycoat repeats bid rejection

Greycost, the City of London property company which has put itself up for sale, yesterday reported a 29 per cent rise in net asset value for the year ended March 31 to 283p per share, and reiterated its rejection of an all-paper bid worth 194p a share by its smaller rival, Delancey

Greycoat, through itsadviser, NM Rothschild, have announced a tender offer for the company in which prospective buyers are to submit sealed bids to be agreed by mid-May. The move is being widely watched by the property industry where smaller companies face growing pressure to improve returns to shareholders, either through a merger or liquidation of their assets.

in March, Delancey made its bid, valuing Greycoat at 194p a share. "Delancey's offer is only in Delancey shares, which are of uncertain value and liquidity," said Michael Beckett, Grey-



Peter Thornton, chief executive of Greycost, left, with Martin Poole, finance director and Claris

to shareholders. "Simply at the wrong price and in the

wrong currency. More than 70 per cent of Delancey's shares are owned by members of the Rithlat family - including James

put, Delancey's share offer is tive John Rithlat - and enti- expect another offer, probaties connected with investor George Soros. Greycoat shares jumped

19p to close at 234%p, while Delancey shares closed unchanged at 98p. Analysts offer, saying only "I am said the share price move-reviewing the position."

bly in cash.

James Ritblat, managing director of Delancey, yesterday declined to be drawn on whether he will improve his

#### COMMENT

#### Greycoat

FYSE All-Share index

How timely. A much higher than expected 29 per cent Greycoat/Delancey Estates increase in Greycoat's net Share prices relative to the asset value has sparked a 9 per cent leap in the City of

London property company's shares. This leaves Delancey Estates' attempt at a hostile all-share reverse takeover sprawling in the dust. Seventy per cent-owned by George Soros's funds and managed by James Ritblat, son of the chairman and chief executive of British Land, Delancey is offering just 194p in its own illiquid

paper. True, Greycoat's shares at 2350 are still a good

way below its revised NAV of 283p. But Delancey's offer looks long on chutzpah and low on credibility. However, it is not just a question of price. The idea of Mr Soros looming over the merged company's share register does not appeal to everyone: his funds would hold over a

quarter of the new group's share capital at today's prices. And notwithstanding Mr Ritblat's famous father, Delancey's management is an unknown quantity as far as the public market is concerned, even if Mr Soros is a fan. Quite sensibly, therefore, Greycoat has launched itself into finding a better offer: setting up a sealed bid auction among interested parties is a good way of accelerating this process. With any luck, shareholders should get a recommended bid by

#### Halifax

Halifax's plan to create a single high street network out of its retail banks and estate agencies sounds good in theory. After all, it enables the UK's leading mortgage lender to save 250m by disposing of 224 estate agency outlets, representing over a third of its total. The logic is that greater integration will lead to juicy opportunities for cross-selling. Some 10 per cent of the value of Halifax's outstanding mortgage book originated from the estate agency network in

Unfortunately, all the evidence from other corporate estate agencies is that it is hard to justify this vertical integration. Hence the mass exodus of financial institutions from the business over the past few years. Nor does the cultural fit between box-ticking commercial bankers and free wheeling estate agents look that natural either. It would be better if Halifax copied its peers and quit the business

## **US Steel fund** votes for Electra

By Ketharine Campbell

US Steel and Carnegie 3.3 per cent stake in favour of Riccira Investment Trust and its reconstruction proout to an extraordinary meeting today.

(\$2.1bm) cash and paper bid the close, from 3i, and needs 75 per Brokers cent of the votes cast to push through the proposals. . in time to vote today. if it succeeds, the bid will which manages pension fund per cent of the trust, has l also voted for Riectra.

The vote looked delicately balanced, according to analysts, as a single trade of Pension Fund has voted its 2.68m shares (1.5 per cent) went through yesterday at 750p, accounting for the bulk

of the day's trade. The barcosals which are due to be gain: was done by Warburg market makers. Electra closed at 725p, up 11/2p. The Electra is fighting a £1.3bm - 3i offer was worth 744p at

Brokers said the purchaser would not be able to register The Takeover Panel con-

lapse. GE Investments, firmed that it completed its examination of trading in 3i money for General Electric shares last Friday, as of the US and also owns 2.4 requested by Electra, and would take no further

# Halifax to sell a third of agencies

Halifax said yesterday it would cut 1.500 jobs by selling more than one third of its estate agencies in a sweeping overhaul of its high street operations.

Some 224 estate agencies will go by the end of Angust, leaving the UK's biggest mortgage provider with 382

banking outlets and estate agencies to create a single high street network and enhance cross-selling oppor-

exceptional charge of up to to have lost strategic direc- some sites.

The move will help the \$25m with a further £120m of tion. James Crosby, chief taken through the profit and

loss encount. It is the bank's second big initiative this year - follow-250m (\$81m) a year, back 21.5bn to shareholders although, initially, sales are and is part of a drive to put

group integrate its retail goodwill - previously writ- executive, said the new ten off against reserves - structure would be more customer focused.

Harry Hill, managing director, said he was interested in all the outlets. Savings are estimated at ing earlier plans to hand Bradford & Bingley, which last year bought the Black Horse estate agencies from expected to fall by up to behind it two difficult years Lloyds TSB, is also under-£30m. There will be an when it is widely perceived stood to be interested in

									Dividends		
	Turnette	(Em)		-tax t (Cm)	27	(4)	Current peyenest (o)	Deter of	Corresponding dividend	Total for year	Total bad
Action Competer	26□ (12.4 28.9 : 30.4	(108.1 ) 24.1   ) (12.3 ) (12.7 ) (18.5 ) (71.8 ) (- )	9.4 0.91 3.77 3.84 2.01 0.754	(3.09 ) (12.8 ½ ) (0.75 ) (2.31 ) (2.01 ½ ) (6.18 L ½) (- )	5.5 8.71 3.5 7.15† 12.4† 3.2 10	(6.5 ) (10.6 ) (2.8 ) (4.71 ) (10.2 ) (11.3L ) (- )	1.36 nll 0.5 1 1 0.24	June 9 May 12 Aug 27 June 14 July 7 June 9	1.5 ni 0.75 2.7 0.24	nii 1 - 0.48	3 1.5 mi 0.75 8 0.46

Earnings shown basic, Dividends shown net, Figures in brackets are for corresponding period. After exceptional charge. 

Bross rental income. \$10n reduced capital. \$10n reduced capital. sed capital. Sinish currency. Which stock.

Financial Times Surveys Merseyside

Thursday May 27

or Haj Haffejee in London

Tel: +44 171 873 4281

Fax: -44 171 873 4862

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FINANCIAL TIMES

#### ABBEY NATIONAL

Abdij Nationaal First Capital B.V. (Incorporated in The Netherlands: monetory seas; The Hagua) U.S. \$100,000,000

> Subordinated Guaranteed Floating Rate Notes Due 2003

For the Interest Period 14th April, 1999 to 14th October, 1999, the Notes will carry an interest Rare of 5.25% per annum, the Coupon Amount payable per U.S. \$1,000 Note will be U.S. \$26.69, and for the U.S. \$10,000 Note, U.S. \$266.86, and for the U.S. \$100,000 Note, U.S. \$2,668.75, payable on 14th October, 1999. Landon the London Stock Exchange.

Bankers Trust Company, London Agent Bank

#### For further information please contact: Pat Looker in Manchester Fax: +44 161 832 9248 Email: pat.looker@FT.com

U.S. \$250,000,000 **Mational** 

> (incorporated with timited liability in the State of Victoria, Austra **Undated Subordinated Floating Rate Notes** Notice is hereby given that for the six months interest Period from April 15, 1999 to October 15, 1999 the Notes will carry an Interest Rate of 5.2125% per annum. The interest payable on the relevant interest payment date, October 15, 1999 will be U.S. \$6,624.22 and U.S. \$264.97 res Notes in denominations of U.S. \$250,000 and U.S. \$10,000.

By: The Chase Manhattan Bank London, Agent Bank

CHASE

J.P. Morgan & Co. Incorporated ... US\$300,000,000 notes due April 2005 Notice is hereby given that for the interest period IS April 1999 to 15 October 1999 the notes will carry an interest rate of 5% per annum. Interest

payable on 15 October 1999 Will amount to US\$1,27,08 per US\$5,000 note and US\$2,541,60 Per US\$100,000 note. Global Agency and Trust Service

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#### ANNUAL GENERAL MEETING OF SHAREHOLDERS

INVITATION TO ATTEND THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF THT POST GROUP N.Y. (TPG).

TO BE HELD ON THURSDAY, MAY 6, 1999 AT 10 A.M. IN THE RAI, EUROPAPLEIN, AMSTERDAM, THE NETHERLANDS.

The agenda for the annual general meeting is as follows:

- 1 Opening and announcements
- 2 1998 annual report of the Board of Management
- 3 a. Approvel of the 1998 financial statements b Discharge of the members of the Board of Management and the members of the Supervisory
- 4 Appointment of members of the Supervisory Board a. Opportunity to make recommendations for the

appointment of members of the Supervisory Board

- b Opportunity to object to the appointments proposed by the Supervisory Board Announcement of vacancies on the Supervisory Board expected at the next annual general meeting
- 5 Expansion of the authorization of the Board of Management to issue shares

of shareholders in 2000

- Authorization of the company to acquire its own
- 7 Questions
- & Close
- The complete agenda, including explanatory notes, financial statements, the annual report and other information as referred to in article 392 (1) of Book 2 of the Dutch Civil Code, are available for inspection by shareholders and other persons

entitled to attend the meeting at TPG headquarters, Nepturesurant 41-63, 2132 JA Hoofddorp, the Netherlands, and at the offices of ING Bank N.V., Foppingadreef 7, 1000 BV Amsterdam, the Netherlands, and can be obtained free of charge. The information as referred to in article 142 (3) of Book 2 of the Dutch Civil Code is included in the explanatory notes to the agenda.

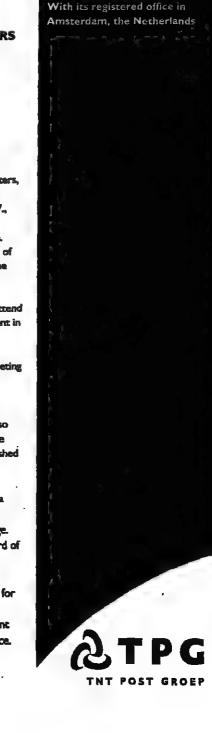
Holders of registered ordinary shares who wish to actend the meeting must notify the Board of Management in writing on or before April 29, 1999.

Holders of bearer shares who wish to attend the meeting must deposit their shares on or before April 29, 1999, with ING Bank N.V. in Amsterdam, ABN AMRO Bank N.V. in Amsterdam or Rabobank Nederland in Utrecht. The previous sentence also applies to persons who are entitled to attend the meeting by virtue of a usufruct or pledge established on stares.

The right to attend the meeting can be extercised by a written proxy, for which purpose forms can be obtained from the above addresses free of charge. The written proxy must be received by the Board of Management on or before April 29, 1999.

Persons entitled to attend the meeting may be asked for identification prior to being admitted. You are therefore asked to carry a valid identity document with a photo such as a passport or driver's licence.

The Board of Management Amsterdom, Abril 15, 1999



INT POST GROUP N.V.

Is industry-funded research inevitably tainted and should backing always be disclosed? Vanessa Houlder reports



scrutiny

Scientists pride themselves on being dispassionate and objective. But increasingly. questions are being asked about whether their judgment is affected by the source of their funding.

The issue came up this week when the UK government announced plans to guishable. Special awards overhaul a scientific are given for collaborations advisory body after claims it was tarnished by links to the for behaviour that used to be biotechnology industry. "A cited as a conflict of bunch of moonlighting interest industry boffins," was the unflattering description used

by some campaigners. The decision did not, in itself, say anything about the scientists' judgment. It tobacco industry, for examwas designed to calm public fears over geneticallymodified crops, rather than respond to specific allega-

But it highlights a much broader issue: are scientists who receive industry funding invariably tainted? Or victims of a slur which fails to take account of the realities of modern science?

The importance of this issue has been underlined by a sea-change in attitudes to industry funding of university research over the past

In the US and elsewhere, academics have been encouraged to supplement government funds by seeking additional research money from a more entrepreneurial spirit on the part of academic scientists and research institutions has led to a profusion

of research-based companies. This has enriched universities, scientists and the economy as a whole. But it may also have eroded the reputation of universities for

Richard Strohman, profesornia, Berkeley, has observed: "Academic biologists and corporate researchers have become indistinbetween these two sectors

Critics of industrysponsored research point to studies in which the results appear to have been "spun" in the industry's favour. The ple, has engaged scientists, particularly in the US, to publish papers calling into question the many studies indicating the dangers of amoking, according to Professor Tom Sorell of the University of Essex, writing in the British Medical Journal

"Rather like lawyers arguing a case according to chents' instructions, the hired researchers have often claimed that the apparently damaging evidence is not full enough or have brought up arcane methodological objections. And the partisanship of some of these papers has often been concealed,"

This sort of abuse should, in theory, be detected by the whether to publish research. But should the readers of

published research be told about the author's business links? This question was widely aired following research by Sheldon Krimsky, a professor at Tufts University, which showed that a third of a group of scientists cial interests in work that they published in academic journals in 1992. The pervasive links between business sor at the University of Calif- and academia led him to argue for "open publication

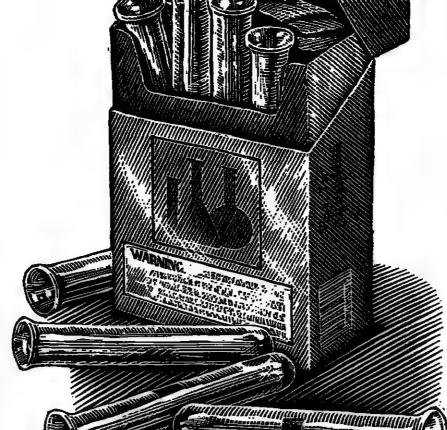
> Some journals have tackled this issue by publishing a note at the bottom of articles about the financial interests of contributors. Others are considering whether to follow suit. Nature, for example, is discussing whether introducing this practice would address potential concerns about transparency.

of financial disclosures".

But some argue against disclosure. One counter argument is that the declaration of business interests tends to give undue importance to just one source of influence, ignoring the academic, personal and political issues that can often be more powerful - although less easy to identify.

"Would the impact on readers of a declaration of interest differ from that of a statement that the success of the next grant application would be that much greater as a result of publication?" asked a Nature editorial two years ago, Richard Horton, editor of

The Lancet, is unconvinced by the case for disclosure, because of concerns that readers, faced with a conflict academic journal editors and end of the article, may tend



to dismiss research without judging it on its merit "You are almost saying 'don't read it at its face value'," he says. He is also critical of the practice of some journals of

barring researchers with relevant financial interests from writing reviews. "I think it is potentially stifling debate," he says. He points out that industry tends to seek out the researchers with the best reputations in their field.

There is a danger that jour-

nals which exclude contribu-

tions from industry-funded

to "Grade B" researchers, he

This highlights a wider issue about the limitations on scientific debate that may follow from industry sponsorship. Does commercial involvement lead researchers to play down relevant data and delay or withhold publication of negative find-

A study by David Blumenthal, head of health policy research at Massachusetts General Hospital, found that commercial interests commonly led to a delay in publication of scientific findings.

Keeping goldfish in

Industrial-scale

relatively simple but

pisciculture la another

Colver: All animals excrets toxic substances, in the

wild the fish simply swim

away but in tanks toxins

ultimately, kill the stock.

Freshwater fish farms

have developed methods

for detoxifying the water.

research project is looking

technologies for marine

environmental geochemist

says marine fish dominate

been grown for thousands

from Leeds University,

the consumer market.

Michael Krom, an

build up to levels that,

metter, writes Edwin

protect their scientific lead and slow the dissemination

of undesired results. The selective publishing of results is not a widespread problem. But it is a significant source of potential bias, because it is harder to detect and police than distortions in published research. The closer relationship between academia and industry has brought countless benefits but sometimes at a price.

This is the fourth article in a series on scientific regulation,

ARM'S LENGTH FUNDING

# Bayer's \$17m stake on the right result

Sponsors that cede control of academic studies can still reap rewards, writes **David Pilling** 

Holman of Oxford University asked Bayer to sponsor a five-year study on the treatment of diabetes, he was not expecting the German drugs company to provide all the cash. The study into the effects of lowering cholesterol in diabetes patients was long and expensive. Moreover, it included a drug made by a direct competitor. Fournier of France.

To Prof Holman's surprise, Bayer offered the full £10.4m. \$16.75m. The question is, why? Not only would Bayer have no control over the Lipids in Diabetes Study, which had been conceived and designed in academia, but it would not get a glimpse of the results for five years. Even then, the findings might show that neither Bayer's cerivastatin, nor Fournier's fenofibrate had the desired outcome of reducing cardiovascular disease in diabetics. Perhaps worse, the French compa-

ny's drug might do better. But if the study, which covers 5,000 patients, produced the desired result. Bayer would have much to gain. The study aims to prove that reducing lipid levels in people with adultonset diabetes can significantly reduce the risk of coronary heart disease, from which diabetics are three times as likely to suffer.

big new market could open for cerivastatin, which last year racked up DM200m (\$109.8m) in sales. Although there are several other sta tins on the market Bayer's would be the only one with When Professor Rury proven efficacy in diabetes. "If they get a high-profile bona fide study like this that gives a good result, then it's cash in the bank for them.

says Prof Holman. But it takes a "brave company to go head to head with a competitor, he says, adding that there was a series of "delicate negotiations" before Bayer agreed

It's not unusual for us to do this," says Sylvia Barber of Bayer UK. "We recognise the need for academic-led studies." Bayer stands to gain from the "increased credibility of any results, which are likely to be a better reflection of real clinical practice than industry-led trials conducted primarily for the benefit of regulators. Prof Holman believes the symbiotic relationship

that has evolved between academia and industry. occasionally though strained, is workable. "You have to ensure that

the project is not hijacked by private industry, that it is academically clean," he says.

design trials themselves before looking for academics to conduct them, he says. If academics can persuade them to do it the other way round, they can tap into a rich source of funding and maintain their indepen-

### shareholders

CN Great Nordic Ltd.

The Annual General Meeting of the Company will be held on Tuesday 27 April 1999 at 3.30 p.m. at the Falkoner Centret, Palkoner Allé 9, DK-2000 Frederiksberg, to transact the

- a) Report on the Company's activities
- Presentation of the annual accounts for approval and discharge of the Board of Directors and the Executive
- Resolution for the distribution of the net profit for the year, including the declaration of a dividend on the shares of the Company
- Board resolution to amend Article 8 (1), 1st sentence of
- the Articles of Association (place of general meetings) Board resolution to authorise the Board of Directors to transfer DKK 60.176,236 from the Company's share
- premium fund to free reserves (other reserves) f) Resolution that the Board be entitled to acquire up to
- 10 per cent of own shares g) Election of Board members
- h) Appointment of 2 suditors for the period until the next nual general meeting

According to Article 16 of the Articles of Association, the resolution proposed under item d) on the agenda can be passed only insofar as at least one fourth of the share capital is represented at the Annual General Meeting and insofat as the resolution is carried by at least two thirds both of the votes cast and of the voting there capital represented at the

In the event that the required amount of the share capital is nor represented, but where the resolution is carried by the qualified majority of votes specified above, another general meeting shall be convened within the subsequent fou days, at which meeting the resolution will be passed by the qualified majority specified above, irrespective of the amount of the voting share capital represented at the meeting.

From Thursday 15 April 1999 the agenda and the full and complete resolutions to be proposed at the Annual General Meeting, 2s well as the Annual Accounts and consolidated ac-counts, including the Auditors' Report and the Report of the Directors, will be available for inspection by the shareholders at the Company's registered office, Kongens Nytory 26, third floor, 1016 Copenhagen K, Denmark, and at the Company's Road, Caterham, Surrey and at Unibank, 107 Cheapside, London EC 2W 6DA. Not later than eight days prior to the Annual General Meeting, the above material will also be sent to every shareholder on the Company's register of members at such addresses as the shareholders have supplied to the

Admission cards to the Annual General Meeting will, until five days prior to the Meeting, be available on request from the Company's office from Monday to Friday between the hours of 10 a.m. and 4 p.m. to any shareholder who can prove a good citle to his shares. The ownership of shares issued to bearer shall be proved by the presentation of an origi-nal statement of account of the shareholder's holding of Company shares, dated 16 April 1999 and issued by the shareholder's account-holding bank.

Any right to vote shall be conditional upon the voting share being registered in the name of the shareholder and entered in the Company's register of members and upon the shareholder being entitled to attend the meeting pursuant to the above-mentioned provisions. Where the shareholder has acquired shares by way of transfer, the share shall furthermore have been registered in the name of the shareholder by the date when the Annual General Meeting is convened, or the shareholder shall have submitted notification and documentary proof of his title to such shares at the time of the notice convening the Annual General Meeting.

Copenhagen, 12 April 1999 The Board of Directors

#### Dividend payment

The undersigned hereby states that payment of the final dividend of NLG 0.96 per NLG 2 share on the Bearer Depositary Receipts (BDR's) issued by the undersigned will be made as from April 26.

- upon the surrender of dividend coupon no. 17; a cash dividend

will be paid via the body by whom the dividend sheet was held on April 15, 1999 in accordance with the conditions of edministration.

If holders of BDR's opt for the dividend of NLG 0.96 in cash, payment less dividend tax at 25% will be made upon the surrende nd coupons no. 17 and 15. In so fer as holders of BDR's opt for the dividend of 1% in BDR's chargeable to the paid-in surplus, the surrender of dividend coupons no.18 and relating to 100 ordinary shares will entitle the holder to receive one new BOR for one share, bearing dividend coupons numbered from 19 presents

If any dividend coupons no. 16 are not tendered for conversion into BDR's by May 31, 1999, the BDR's to which they relate will be sold and the net proceeds of the sale be held at the disposal of the holders of these SDR's in proportion to their holding.

n in accordance with the scales laid down will be paid to pers of the Amsterdam Exchanges ny in connection with the ersion of dividend coupons no. 18 into new BDR's: this implies

Stichting Administratiakantoor van aandeler

NOTICE OF INTEREST RATE To the Holders of Benco Central do Brasil New Money Bonds Due in 1999 the Bonds, notice is hereby given that the above Bonds will been interest for the 183-day interest

Period from April 15, 1999 to October 15, 1999 at a rate per

BANCO CENTRAL DO BRASIL

HALIFAX

Step-up Callable Floating due 2009

For the three months from 15th April 1999 to 16th July 1909 inclusive, the Notes will carry

and per US\$100,000 will be US\$1,367.22 on 16th July 1999.

# Wessanen

upon the surrender of dividend coupon no. 18; a cash dividend of NLG 0.28 per NLG 2 share or 1% in BDR's chargeable to the peld-in surplus (quelliying for the 1999 dividend).

Dividend coupons may be tendered for payment or conversion

US\$500,000,000

US\$10,000 will be US\$136.72

FI BARCLAYS

of NLG 0.68 per NLG 2 share, less dividend tax at 25%;

at the offices of the ABN AMRO Bank N.V., MessPierson N.V., ING Bank N.V. and Kampen & Co. N.V. in Amsterdam, the Netherlands. and coupons must bear the stemp of the office through which they are tendered. The dividend pertaining to BDR's of the CF-type

CJD, Fatal Familial Insomnia and Kuru. Previous studies, in both humans and sheep, have shown that individuals with positively charged amino regions of their normal

three-dimensional structures of prions published by the that these residues are close to one another. That suggests breeding animals with positively

published by the American Chemical Society. American Chemical Society: US, tel 2028724445; e-mail y\_marsh@acs.org

TECHNOLOGY WORTH WATCHING Fresh water the key to fishy business of marine farming

> of years but nobody wants to eat them, with the exception of trout. "We are trying to create an agriculture of fish like there is an agriculture of mammais. We don't go hunting beef on Salishury

Plain. We still go hunting The research group includes collaborators from universities and institutes in Israel. Dommunk and Greece as well as from Leeds. It is looking to use two species of bacteria to transform the ammonia that fish excrete into nitrogen - a

harmless gas that is the primary component of air. The system is well developed in freshwater farms but in salt water the changes in conditions can lead to the unwinted conversion of sulphate to hydrogen aulphide, a toxic

gas that kills fish even in Dr Krom, who co-ordinates the project, is developing a certridge containing iron oxide, or rust, that removes hydrogen sulphide from tank water. "It's the reaction that takes place

in sediments." says Dr

Krom. "We are harnes

nature's reactions." The reaction also changes the colour of the rust from red to black. indicating that hydrogen sulphide had been present and that the decontamination process

reducing pollution levale

The project will begin with a pilot plant at Ellat in are to build a prototype system in Greece. The technology is expected to be marketed in three to

four years.

If Dr Krom's ideas work, marine fish could be farmed almost anywhere in the world. Farms could be built indoors, which would be particularly favourable in the UK as temperatures could be raised artificially to increase growth rates. It has even been suggested: that fish could be grown in desert areas, providing a rich protein source and an unlikely cash crop.

70

should be adjusted. The reaction is delicate. Slight cartridge also removes

#### Prion research raises hope of BSE-free cattle

New findings about the structure of prions - the agent responsible for diseases such as BSE, CJD and scrapie - has raised the possibility of breeding animals resistant to mad cow disease.

Researchers at the University of California at San Francisco have shown that part of the prion protein exhibits multiple structures. The researchers think these may provide a chemical explanation for the variety of infectious prion diseases. which in humans include

body's clock synchronised prions do not get prion with the 24-hour rhythm of diseases. The

that mediate the charged residues in specific light-dependent behaviour of regions of their prions could produce a scrapie-resistant The importance of these or BSE-resistant herd. The proteins was underlined research is published in Biochemistry, a journal

> When the mice were tested in conditions of constant darkness, those

# IN BRIEF

#### Protein link to body clock

A new insight into the workings of the biological clock has been revealed by scientists in the Netherlands, Research published in today's Nature, the international science journal, has demonstrated the importance of certain proteins in keeping the

night and day. Researchers at the Erasmus University in Rotterdam identified two proteins called Cry1 and Cry2 in mice, which have close similarities to proteins

when the researchers created strains of mice that lacked either one of these

over agents: chemistry may explain, and prevent, BSE mice without Cry1 were found to have body clocks that ran too fast; those without Cry2 were found to

have body clocks that ran too slowly.
The results suggested both proteins play an ssential part in maintaining circadian rhythms.

Erasmus University: The Netherlands, tel 104087186; Hoeijmakers@gen.fgg.eur.nl

mobile capacity Australian telecommunications researchers have designed software that aims to allow

Software extends

mobile phone networks to carry more calls without any loss of quality. The software, called Fase (or frequency assignment by stochastic evolution) was developed by CSIRO, the Australian national research organisation and Telstra, the

Australian telecoms carrier. The software allows Telstra to reallocate automatically frequencies

m.krom@earth.leads.ac.uk

among the mobile network cells within a region, It works by retuning radio frequencies over a general area or by retuning a subset of cells. The result is that Teistra can squeeze more: capacity from radio

communications frequencies.

392526050; e-mail damien.

#### thomas@dbce.csiro.au Vitamin E may

CSIRO: Australia, tel

inhibit plaque Some doctors recommend taking vitamin E as protection against heart disease. It has long been identified as an antioxidant that prevents the oxidation of low-density lipoproteins. the so-called "bad" cholesterol that contributes

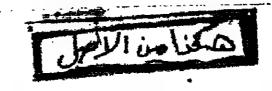
to heart disease. Now researchers have found it inhibits the activity of an enzyme that plays an important role in initiating

plaque formation. The research, conducted by the University of Texas Southwestern Medical Center at Dallas, is thought to be the first study showing that vitamin E has an antiinflammatory as well as

antioxidant effect. The study was published in Arteriosclerosis, Thrombosis and Vascular Biology, a medical journal. University of Texas Southwestern Medical Center at Dallas: US, tel 2146483404: http:// www.swmed.edu/

Vanessa Houlder

home\_pages/news/



-1.68 2.73

2.35 2.71

2.44

2.34

2.23 2.05

2.43 1.67

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+1.28 -0.24 +3.55

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TYCLICAL SE

HOR-CYCLICAL SERVES

# Pfandbrief success encourages imitators

Few are smiling condescendingly about German 'fands' as they start featuring more in portfolios, writes Uta Harnischfeger

The introduction of Europe's ment bonds in the euro-some. 18 year bonds yield spread single currency has given worldly appeal - at least between Helsinki and

While Americans still call Pfandbriefe "fands" and seldom know what to make of them, the bonds backed by mortgages or public-sector debt are starting to feature prominently in the portfolios of quite a few European fund managers in addition to their traditional German

No doubt the common cur-

rency will also spur other cross-border products such as corporate bonds and asset- and mortgage-backed euro is boosting Pfandbrief volumes, attracting new customers and encouraging Long a product that earned condescending smiles

January 1 as the mumber one

from international fund was likely to have been briefe had already established themselves before

Since all Plandhriefe must denominated in

With a volume of more than Pfandbrief market can no longer be overtooked.

When setting up indices ucts, international banks now include Pfandbriefe. Morgan Stanley's credit index for euro-zone spread products, for example, contains roughly 35 per cent Pfandbriefe.

Because many funds

directly or indirectly link their performance to such an will buy Pfandbriefe. In addition, the European Union's guideline for investment funds says that investment cent Pfandbriefe in their portfolios, while they can only hold 5 per cent of paper from one individual issuer. Before the euro's launch, a French insurance company

> The euro has also boosted the volume of individual

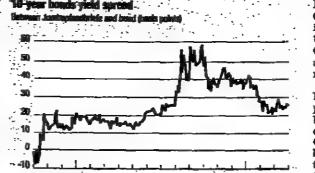
jumbo Pfandbriefe were

redenominated into euros on

January 4, the currency

remain denominated

D-Marks until 2002



issues. While the average euros, and all outstanding issue size for jumbos used to vary between DM1bn and DM3bn, mortgage banks now issue the equivalent in

So-called jumbos must have an issue size over DMihn and a AAA rating. Only outstanding Pland-Hypothekenbank (Depfa), the most prominent Pfandbriefe of the traditional kind, brief issuer, regularly issues jumbos with a volume of which are smaller and not necessarily AAA rated, can 63bn. The doubling in volume of the average Pfandbrief has also doubled the average order size, and, natGerman mortgage banks issued Pfandbriefe with a total volume of €24bn and €22bn, compared to €13bn and €12bn in the first two

Larger volumes also make life easier for marketmakers. particularly when Pfandbriefe are used in the repurchase market as collateral. Over the last year, there has been a marked drive to boost the repurchase market for

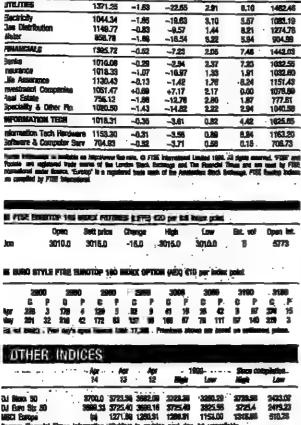
A rising number of Pfandbrief issuers explicitly guarantee repo activities for their jumbos and appoint marketmakers who are then obliged to state prices. The Euro-pean Central Bank further supported the creation of a healthy repo market when it granted Pfandbriefe Tier 1 status and thus allowed them to be used as Europe-

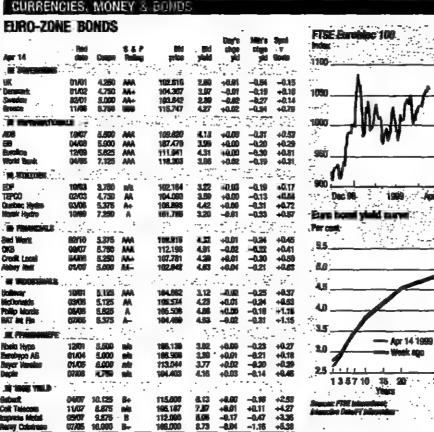
an-wide collateral, at par with government bonds. In a market where liquidmore attractive and more registant to crises. At the

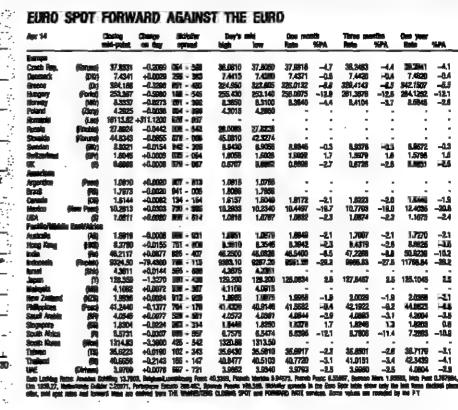
In January and February, peak of last year's emerging market crisis, spreads between government bonds above 60 basis points.

Meanwhile, there is evidence that rising volumes have boosted Pfandbrief resistance. When last week's rate cut by the European Central Bank caused a run on long-term government which would naturally widen the spread between bunds and Pfandbriefe, remained Pfandbriefe unfaced and spreads hardly

The growing popularity of Pfandbriefe is also sparking the interest of neighbours. With the exception of a nomenon. Recently, the Spanish bank Argentaria issued its first set of Cedulas Hipotecarias and French banks are expected to issue ciers in October, if the bill passes into legislation







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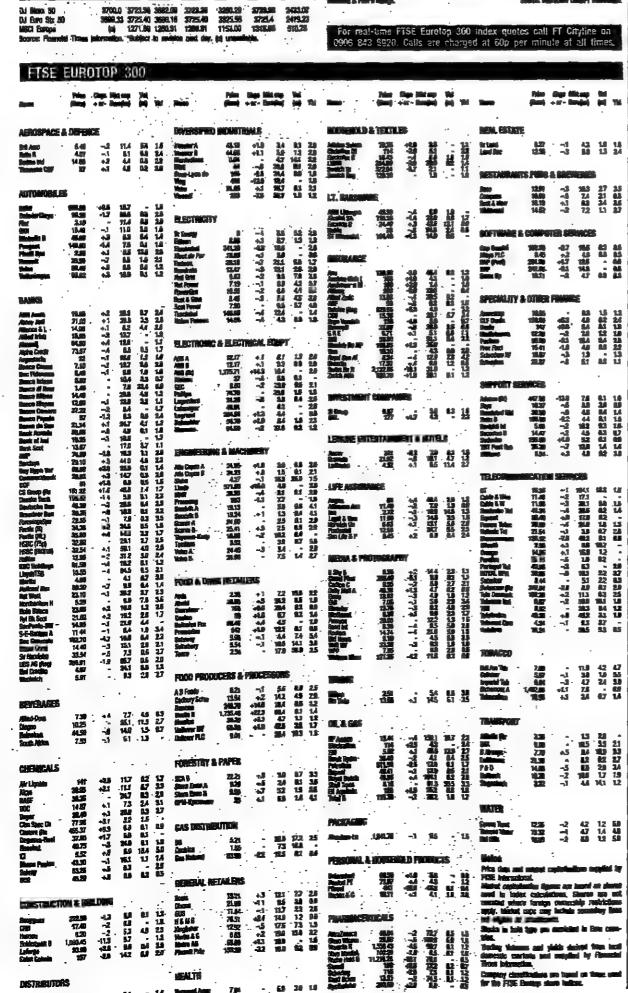
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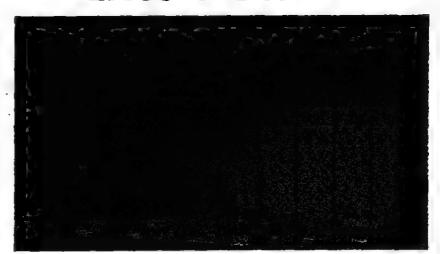
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# Turning Risk Into Return.



Solutions that span insurance and finance can help our customers achieve results that move UP AND TO THE RIGHT.

ound in financial, operational and marketplace risk.



# plans \$500m global bond

By James Harding in Beljing

China Development Bank, pone the launch on several the main channel of government funding for the glant Three Gorges dam, is planning to launch a \$500m global bond next month.

The bank will be the first Chinese financial institution to issue a global bond since the outbreak of the Asian crisis in the middle of 1997. If successful, the debt issue could prompt other Chinese borrowers to return to the giobal capital markets.

Some of the proceeds are likely to be directed to the huge and highly controver-sial Three Gorges hydropower plant, which has run into fund-raising difficulties in a critical year of construction. Officials at the world's largest civil engineering project said last month the \$24.5hn Three Gorges development is facing an Rmb25bn (\$1.9bn) shortfall.

Three Gorges, which has budgeted on borrowing \$5.5bn overseas, has also faced problems raising funds abroad. Foreign banks, particularly in the US, have grown increasingly unwilling to be seen to be participating in Three Gorges financing, which could damage their reputations with some domestic customers that in January 1997, the last oppose the project largely on environmental grounds.

China Development Bank, the policy bank for infrastructure lending formerly known as the State Development Bank, is committed to lend Rmb130bn, or 85 per cent, of the funds for the

Three Gorges project. The bond issue is intended improvement in investor US Treasuries.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

sentiment towards Chinese risk. The hank had to postoccasions, particularly after the abrupt closure last year of Gitic, a prominent Chinese investment company.

rattled international confi-

dence in the creditworthiness of Chinese borrowers. The details of the issue are still to be finalised, Merrill Lynch and Salomon Smith Barney are co-lead managers. The bond is likely to have a maturity of five to 10 years. Pricing will be made

public in May. A successful issue could prompt China International Trust and Investment Corporation (Citic), the largest state investment company, to revive plans for a global bond issue that were put on hold late last year.

As a government policy bank, China Development Bank is treated as quasisovereign risk. Standard & Poor's, the credit rating agency, has rated China Development Bank at BBB plus, the same as China's sovereign debt...

However, the markets still make a distinction between the policy bank and a strict government issue, pricing the 10-year bond issued by the State Development Bank time it made a global issue, at about 60 basis points over China's 2008 sovereign debt. Moody's, another agency, rates the China Development Bank as Baal, a notch below the sovereign rating.

China issued a 10-year sovereign bond at the end of last year, which just after the launch was trading at to take advantage of the around 280 basis points over

# Chinese bank Big-volume issuance continues

By Khozem Merchant

Recent big-volume issuance continued yesterday with bumper bonds from Italy, Belgium, Vivendi, a French utility, and Conoco, the US oil company.

Conoco led the way with a \$4bn multi-tranche global issue of various maturities, which will be priced today: a \$1,35bn five-year, a \$750m 10year and a \$1.9bn 30-year bond.

"This shows there is keen demand for new credits." said a banker, a reference to Conoco's first visit to the debt market since it was spun off through an initial public offering from DuPont last year.

The heavy dollar issuance has been encouraged by Kosovo-induced "safe-haven status"; investors are also excited by wider credit spreads in the US and widening yield differentials between Treasuries and bunds, in addition to the interest rate environment in

Europe and the US. European accounts were also attracted to the superliquidity of large offerings, such as Conoco's and, earlier this week, a \$3bn add-on by Freddie Mac and a \$1bn offering by the European

Vivendi was one of several big euro issuers, including Italy with a €1bn 20-year FRN. Vivendi launched the largest-ever convertible bond, a €2.6bn issue that highlights recent strong primary issuance of this type of instrument. The proceeds will be used to finance about 40 per cent of Vivendi's \$6 2hn acquisition of US Fil-

in the US. Société Générale, joint lead manager with Goldman Sachs, said a "dual-play" mechanism had been devised for the issue. This would allow investors either to convert into Vivendi's existing shares or those of a subsidiary, Vivendi Environment. at a 5 per cent discount to its IPO. The flotation could take place within five years.

Belgium unveiled the first euro-denominated FRN by a euro-zone member. The €2bn three-year issue, which will be priced tomorrow at about three-month euribor minus 10 basis points, is designed to achieve several strategic targets.

Foremost, in a market with a scarcity of sovereign FRNs, is to achieve a liquid benchmark. It is also designed to diversify the country's general funding post-euro. To date, Belgium debt is heavily placed domes-

New international bond issues I US DOLLARS Republic of Argentina(a) Republic of Austria ELITOS E Kingdom of Belgium; Credit Local de France CNP Assurances(I) Nate Assurances

ter, a private water company R Finance(4): w of Buencs America RCEE E STEPLING Transmity-from manus. However, and the control of t

> The combination of two factors - structural (the absence of a sovereign FRN est rate uncertainty) made the floater timely, said Louis du Montpellier, spokesman for the treasury. He said the interest rate uncertainty made it a "perfect defensive, liquid instrument because it

Spread re Argentina sovereign bond, rij 3-mth Euribor +330p, 61bn on 25/4/99. Plus 10 days accrued, a) Short 1st coupon

Abigail Hofman at Barsaid many accounts "purchased FRNs on an asset allocation basis rather than an interest-rate outlook".

99.449R Apr 2011 0.40R 101.217R Jan 2019 0.325R 99.95R Apr 2009 0.325R 99.95R May 2009 0.40R 99.875R May 2004 0.175R

99.875R May 2004 D.175% [1]R Apr 2005 D.40R [25R Apr 2009 D.40R 100.00 Apr 2007 D.35 89.75R May 2004 D.75R 100.00 May 2014 D.54 106.773R Apr 2008 D.35R

Central banks and bank treasuries use sovereign FRNs as cash management tools, she said, and the Beldoes not expose investors to gium FRN was perfect for

Argentina added \$500m to clays Capital, joint lead man- a \$1bm bond while the prov-

+52(5½April) CDC Merchés +28(3½Jerú9) ABN/Goldman

+1<2016-04 CSFB/IP Morgan
Morgan Stanley
Morgan Stanley
+47(5)4Apr08) CDC Marchés

Bankers said that the province's bond sought to take advantage of appetite for euro-denominated paper and "high yielding non-

ager with Deutsche Bank, ince of Buenos Aires completed an Argentine day, with a €150m offering priced to yield 142 basis points over

the Argentina 2004 issue.

#### Liffe to reduce size of board

By Vincent Boland

Shareholders of the London International Pinancial Putures and Options Exchange voted overwhelm ingly yesterday to reduce the size of its board as part of a restructuring of the market under way.

Liffe's board is to be cut from 22 members to 15 from its next annual general meeting in May, when the number of directors elected by its shareholders will be reduced from 17 to 10. This is part of its plan to become more competitive with Eurex, Europe's biggest futures market.

Liffe has accelerated the introduction of electronic trading for its products and announced 600 job cutse Shareholders have already approved a corporate restructuring plan, which includes restructuring its share capital and greater flexibility to trade its shares,

Brian Williamson, Liffe chairman, said the smaller board would "improve the effectiveness and efficiency of its decision-making". · EuroMTS, an electronic

system for wholesale trading in benchmark Italian, French and German govern ment bonds, has claimed a big slice of trading volume since it began operations

It said turnover reached €21bn on Friday, the first day of trading, and €14bm and €17.4bn in the first two days of this week. Average daily trading in Italian government bonds on MTS before it went pan-European stood at @9bn.

"This shows that there is a general interest among marketmakers in using the system," said Alexandre Lam-

# European prices marginally higher

**BENCHMARK BONDS** By Arkady Octrovsky in London

ereit John Labute in New York

marginally higher yesterday, demonstrating surprising resilience to the ascalating conflict in Kosovo.

Ifty Islam, at Deutsche Bank, said there was a notable contrast between "relaxed" European bond

BOND FUTURES AND OPTIONS

markets and the euro, which ovo, according to Kasper down ¼ at 97±, yielding bas softened due to growing Bartholdy at CSFB.

5.120 per cent, while the twofears about the possibility of ground war in the region. European bonds were hit

on Tuesday by reports of clashes spilling into Albania. but recovered some of their value yesterday. German band futures rose 0.03 to

Eastern and Central European markets also responded

Bartholdy at CSFB. UK gilts continued to

under-perform European bond markets, with the 10-year yield spread widening to 76 basis points. The 10-year gilt future closed slightly lower at 117.95. US Treasuries were mixed

in thin mid-day trading. The 30-year bond was unchanged at 96%, yielding 5.494 per calmly to the conflict in Kos- cent. The 10-year note was

US CORPORATE BUNDS

the market today," said year note was off & at 99%, Kevin Logan, senior market yielding 4.942 per cent. economist at Dresdner, Kleinwort Benson in New

Observers said Treasuries weakened under the weight of heavy corporate issues. During the morning session Freddie Mac, the mortgage finance group, sold \$3bn in a reopened five-year note issue. Also expected later in the session were \$4bn in

of the curve, fearing weak demand at next week's auction for 10-year JGBs. The 10-year JGB future fell 0.24

international bonds

Japanese government

bond prices fell as investors

sold bonds at the longer end

York.

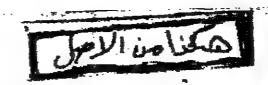
falussy, chairman.

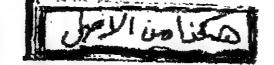
	wur c	1440	TAILET		MADO				DUNE		HEO H	M
14	Pinci Dates	Coupon	Price	Plets :	Day chg yield	tilk shg yteki	and An	they yid	France			
dreile.	01/01 06/06	8.780 6.750	104.6484 125.2007	4.71 6.29	+8.04	+0.01	-0.19 -0.13	-0.20 -0.31	IE Nerrice	WL MIND H	e Peren	B (M
atria	02/04 01/05	5.290 5.000	104.4206	2.82	+0.03	-0.07 -0.04	-0.30 -0.17	-1,\$4 -0.97	Jan	Open: 96.80	Satt price 95.55	Q .
gian	03/01 03/08	5.000	104,0400	2.62	-0.01	-0.12 -0.05	-0.25	-1.30	Sep M LOWE		96.17 2000 DPTK	
ada .	1200	5.790 5.000	97,2900 100,6406	4.58	-0.01	-0.18	-0.15 -0.44	-0.86	Strike Price			m 118 -
anark	11/00	8.009 BL000	107.9500	4.91	+0.01	-0.09 -0.10	-0.24 -0.28	-0.33 -1.31	88.			33
	11/09	6.000	115.2200	2.12 4.18	+0.00	-0.08	-0.24	-0.00	M M	:	0.	.79 .96 .37
	08/00 04/09	4,906 5,000	101.4400 107 7500	2.72 4.04		-0.14 -0.07	-0.27 -0.20	-1.03 -0.81		COM THE PER		
-	07/00	4.600 7.250	101.5700 123.1100	2.67	-0.01 -0.01	-0.18 -0.07	-0.12 -0.22	-1,45	Same			
	0409	4.006	100.5400	3.48	-0.01	-0.07	-0.22	-1.18 -0.96	E RUINA	ML EURO SE		_
	04/20	5.500	110.1400	4.85		-0.06	-0.19	-0.55	lan.	Open 115.75	Seti price	
-	05/01	5.000	104.3900	2.00	-	-0.11	-0.23	-1.19	Beo	115.62	115.71 115.70	*
	01/09	8 000 3,750	114.1400 89.5300	3.59	-0.01	-0.08 -0.09	-0.22 -0.20	-1.13 -1.06				PURIS
	07/20	4.790	PØ.1900	4.80	-0.01	-0.06	-0.21	-0.60		Direct	Sett price	- 0
000	09/00	9.800 9.300	100,7000 104,0000	8.90 5.75	-0,08 -0.06	-0.15 -0.07	-0.26 -0.17	-0.94 -2.51	Jun Staly	198.60	199.50	-
-	1901	6,800	108,5900	2.86	-0.01	-0.06	-0.28	-1.63		AL MILLAN	BOWT, WOM	
	00/06 07/01	4,800	115-9700	1.02	-0.01	-0.05	-0.27 -0.25	-1.18		Open	Sett price	
•	07/03	4.500	104.9100	3.25	+0.01	-0.10	-0.28	-1.47	Jm	114,00	114.81	-
	05/09 11/27	4,500 6,500	103.7000 121.8900	4.05 5.05	-0.01	-0.06 -0.08	-0.18 -0.18	-1.00 -0.49	Scalar			
-	12/00	6,900	111.1300	0.20	-	-	-0.06	-0.36		ML SPANNE	BOND FIFT	-
	12/03	1.300	118.1 <b>630</b> 102.4250	0.79	+0.02	-0.03 -0.02	-0.20 -0.27	-0.55 -0.10		Cours	Suit price	0
	09/15	2,300	94,6380	2.32	+0.04	-0.04	-0.21	-0.10	Jue	86.21	99.18	4
lantaria .	01/01	9.000	119.4100	277	-0.03	-0.12	-025	-1.55	UK			
	07/05	3 750	98.1200	3.98		-0.00	-0.16	-0.87		AL E YEAR		
r Zosiand	02/01 07/08	7.000	105.5506 119.1373	4.72 5.66	-0.03	+0.02	-0.15 -0.15	-1.23 -1.25	Jan	Open -	Sett price 108.18	Chi
	05/01 05/00	7.00e	105,000	4.60	+0.01	-0.09 -0.05	-0.24 -0.20	+0.31	Sup	-	108.18	
treat	(0/00	8,375	102,3200	4.89 2.78	-0.07	-0.05	-0.20	-1,40		E IX OLT	Military (1	m)
	06/06	5.375	108.7500	4.08		-0.04	-0.15	-0.90	Jun	Open 118.00	Closes 117,95	4
ijo	01/01 07/08	5.000	105.8200	2.71 4.08	-0.04	-0.10 -0.22	-0.26 -0.40	-1.55	Sep .	-	117.57	-0
odes .	05/00	10.250	107.318	2.98	-	-0.03	-0.23	-1.55		ns also traded		
	(5/0)	6.500	117.6680	4.12	-0.02	-0.05	-0.30	<u>'-143</u>	Strike	ALT FUTURES		LLE .
أساجينا	06/00 01/08	4.500	103.7500 116.6000	1.16 2.14	-0.01	-0.15 -0.06	-0.28 -0.06	-0.60 -0.60	Price	Ja	9	
	1147	7,000	1051100	4.86	-0.01	+0.09	-0.04	-1.71	11700 11750	1.47		
	1201	6.500	107.8900	4.59	-0.03	+0.05	-0.09	-1.27	11630	0.87		
	12(0)	5.790	111,1909 125,7000	4.42	-	+0.01	-0.11 -0.12	-1.32 -1.24	11 <b>850</b> 11990	Q.67 Q.47		
	OLADI	A.500	89.2588	4 94	-0.02	-0.03	-0.05	-0.66	11955	0.32		
	02/04	4.750	98.8541	5.02	+0.03	-0.01	-0.04	-0.66	Est. vol. 100a	, Cab 350 h	175 Page	-
	11/08 02/29	4,750 5,250	97.2475 98.4338	5.12 5.49	+0.01 +0.01	-0.01	-0.02	-0.57 -0.45	US			
			30.700	0.48	_					ASSETT TOTAL	PUTORES (	CETD S
don clocking " New is: Local resolut :		er. Tabled yes	( basis, Ylati	-	3010	0)	Debylet i	125 00		Open	Lames.	Cz.
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trelia	E21	+1.51		Netherland		3.95	-0.16	-1.17	Japan			
tria.	170	+0.19		New Zeals		5.55	1.60	+0.56	- HUTTUR	AL LONG TES		_
júum.	4.09	+0.29	-1.03	MOTWAY		4.69	+0.69	-0.43		<b>Open</b>	Sett price	Cha
ada	4.91	+1.11	-0.21	Personal		4.70	+0.30	-1.02	-100m	133.31	133 33	

Australia	13		+4.18			3.95	-0.16	-1.17
Austria.	116					5.55	1.68	+0.56
Belgium.	4.00					4.69	+0.69	-0.43
Canada	4.91		-0.21	Portugal		4.70	+0.30	-1.02
Dermark	4 10		-0.96			4.05	+0.25	-1.07
Antend	4.0		-1.07			4.78	+0.38	-0.94
France	3.94		-1.15		end .	2.39	-1,41	-2.73
Germany	3.80		-1.32	UK		4.47	+0.67	-0.83
Greece	5.60		+0.70			5.12	+1.32	-
ireland	3.95		-1.17			ata FT Inter		
Italy	4.07		-1.05			ow Took die		
Japan	1.63	2.17	-3.48		اسا يشيع ا	<b>L</b>		
emerg	ing M	ARKE	600	NDS				
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Acr 14	chain i	Counce	Rating	orice	viold	Wid	wid	115
					- /			
# BINOPE		•		:				
Croatia	02/02		886	92.6000	10.04	-0.01	+1.54	+5.87
Poland	07/04		986-	104.1300	6.16	-0.03	-0.25	+1.14
Russia	06/07	10,000	n/a	35,1400	336	-2.51	-9.55	+28.57
III LATEL A					-			•
					٠.			
Argendos	09/27	9.750	22	87.8000	11.17	+0.01	-0.35	+5.72
Brazil	05/27	10.725	B+	79.7500	12.80	-0.17	-2.15	+7.35
Medco	05/25	11.500	88	119.0000	9.53	-	-0.73	+4,10
M ASIA	7 - 27							
China	07/06	7.750	888+	103.8097	7.05	-0.05	-0.60	+1.99
Philippines	10/16	8.750	BB+	95.5000	9.27	-0.07	-0.57	+4.02
The Species	04/07		BBB-	103.3750	7.19	-0.02	-0.31	+2.11
CHARACTER CO.				sames 48	1.49	-0.002	-4.31	+6.11
E AFINSY	MBOLE BIS	T						1: _
Lebanon	07/00	9.125	38-	101.6252	7.68	+0.03	+0.35	+2.77
South Africa	10/06	8.375	88+	100.875D	8.22	-0.13	-0.33	+3.16
Turkey	09/07	10,000		94,0500	11.10	-0.07	-0.58	
		· ·				-03/1	-Wei	79.UC
M BRADY I						-		
Argentina.	03/23	5. <b>750</b>	35	71.6250	8.89	+0.03	-0.13	+3.50
Brazil	04/14	5.000	B+	68.4258	12.25	-0.12	-1.50	+7.04

INEQ €100,000 1000m of 180% Est. vol. Com in Am 0.52 0.70 0.92 1.22 1.92 1.87 102.20 -0.04 INTEREST RATE SWAPS 1.18 1.22 5.18 1.45 1.53 5.36 1.73 1.81 5.48 1.96 2.19 5.52 2.21 2.29 5.52 2.42 2.30 5.75 2.62 2.70 5.73 1.50 2.68 5.78 2.65 2.78 5.78 2.65 2.78 5.78 2.65 3.04 5.12 3.11 1.19 5.62

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55	Pac Bell MY Tel	98/25 7	25 AA- .90 A+	194.7863 99.7143	7.02 +0.0	8 -0.05	+5.59 +1.53	ASN Auro Duebec	06/0 01/0	7.125	AA-	104,7912	8.36 +0. 6.02 +0.	01 -0.0	6 +1.27
_	CWE	45/00 8	# ##	118.3173	8.08 +0.0	5 -814	+0.90	Calcop Fill	92/0		AA-	98.3000	123 +0.		3 +0.21
	GECC	95/97 B	75 AAA	118,3940	587 +80	6 -0.14	+4.77	Boor L-Ek	08/0	0.500	444	- 0 - 1	6.29 -AL		7
ļ	Best: Owe CNA Fin		25 A 96 A	104.4086 96.0848	5.75 +0.9 7.44 +0.0		+6.75	Toronto (Mt ob	05/0	1.000	AA+	119,0181 114,0821	5-28 -0.	02 -0.2	9. +0.21
	III. MODERNALS			***		* * * *		Bell Capada Denisate II. 77	07/9 89/0			101,2299 101,5128	5.01 -0. 5.38 -0.		
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	III AGRICUES						-	British Gas	03/0	7.825	At 1	01,700	5.61 -0.	01 +0.00	+0.74
int,	FRANC	6407 7	14 164	106.7416	5.76 +0.E		+6,65	Abbey Net Fifth		L alber	AA	99.9656	4.89 -0.	3.7 m.	9.9
17 17	SEMA FIGUA	02/18 8.	50 NA 95 NA	102.0874 132.4021	5.08 +0.8 6.04 +0.9	-0.04	+0.89	■	01/0			04.8135	2.11	0.00	+0.03
_	FFCB	06/06 A.	95 NA	118.8401	5.69 +4.0	-0.03	+0.50	Hydro-Duebec	02/02			104.1560 108.9410	1.73 -0.1 2.31	71 H0.19	
lot.	Steam Cost	02/01 9.	in i	101,6750	4.00 -			Gen Bect.	ONTO	1.280	8/0	99,7364	1.30	02	+0.01
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=	1 My to 5 years (1: 2 5-10 years (71)	9 121.3 171.1		2.46 2.26 2.96 2.07		4,77 2,36 4,58 5,83			5 years (2) 5 years (9)				43 1.26	1181.30	14,59
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_	5 ym 4 18 yrs 4 15 yrs 4 20 ym 4	55 455 55 455 54 453 54 453	6.02 5.77 5.21 5.79	lited †	4.65 4.55 4.65	4.84 5.0	3	Up to 5 yr Over 5 yr 5-15 yrs Over 15 y	Apr 14 FS E.M S 1.80 I.M KS 1.78	Dar yra Apr 120 2 13.27 1, 9.64 1, 17.12 1,	7 13 Yr a 29 3.5 29 29 23 311 27 29	5 9 0	2.15 3.22	2.10 1.80 7.58	2.77
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	5 ym 4 10 yes 4 15 yes 4 20 ym 4 Gayer Revier Medius; FT Fleed Interest i	185 4.85 185 4.85 184 4.53 184 4.53 184 4.53 184 4.53 185 6.55 186 6.55 186 6.55 186 6.55 186 6.55 186 6.55 186 6.55 186 6.55 186 6.55	6.92 5.77 5.71 5.76 ± 175 and on	html † Med, 15 yes High 15 yes at file year, y Apr 9 Ap	4.85 4.95 4.85 at ther at data.	4.84 5.6 4.54 5.7 4.64 5.6	2 2 3	Up to 5 yr Over 5 yr 5-15 yrs Over 15 y	Agr 14 pts E.B. 5 1.80 1.81 1.75 1 7.84	Dur yes Ap 1.10 2 13.27 1 9.64 1 17.12 1 11.22 1	7 13 Yr a 29 3.5 78 2.9 .83 3.1 .77 2.9 .83 3.0	5 9 0	pr 14 Dur yr 2.15 2.22 1.51 13.46 1.57 9.68 1.63 17.21	2.10 1.50 7.56 7.52 1.52	2.77 2.78 2.79 2.79 2.70
	5 ym 4 10 yes 4 15 yes 4 20 ym 4 Gapen Bentr Methoc FT Fixed Interest i	185 4.86 185 4.85 184 4.83 184 4.83 184 184 8.88 186 184 8.88 184 184 8.88 184 184 8.88	6.92 5.77 5.71 5.70 5.70 6. 71% and an	ired † Wed. 15 yrs High 15 yrs E f für piet. 1 Apr 9 Ap 114,60 114	4.65 4.55 4.65 at the a data r 8 1r ago	4,64 S.6 4,54 S.7 4,64 S.6	331	Up to 5 yr Over 5 yr 5-15 yrs Over 15 y All Stocket	Apr 14 pes E.Bi 9 1.80 1.83 1.75 1.84 Apr 14	Dur yes Apr 12.27 1. 12.27 1. 17.12 1. 11.22 1.	7 13 Yr a 29 3.5 78 2.9 83 3.1 77 2.9 83 3.0 48 12	5 9 0 4 0	7 14 Dur yr 2.15 3.22 1.51 13.46 1.57 9.68 1.63 17.20 1.63 11.63	2.10 2.10 1.80 7.56 7.82 1.82	2.77 2.78 2.79 2.79 2.79
nt.	5 ym 4 18 ym 4 15 ym 4 15 ym 4 Companisation Medica. FT Flood Interest i Smot. Seco. (III) O PTSE Interest and only yell interest and only yell interest and only yell interest.	,65 4,65 ,55 4,53 ,54 4,53 ,59 4,53 ,64 1,00 ,64	6.02 5.77 5.71 5.70 1.75 and on 1.13 Apr 12 4.19 114.44	ired † Wed. 15 yrs High 15 yrs E f für piet. 1 Apr 9 Ap 114,60 114	4.65 4.55 4.65 at the a data r 8 1r ago	4,64 S.6 4,54 S.7 4,64 S.6	331	Up to 5 yr Over 5 yr 5-15 yrs Over 15 y All Stocket	Apr 14 pes E.Bi 9 1.80 1.83 1.75 1.84 Apr 14	Dur yes Apr 12.27 1. 12.27 1. 17.12 1. 11.22 1.	7 13 Yr a 29 3.5 78 2.9 83 3.1 77 2.9 83 3.0 48 12	5 9 0 4 0	7 14 Dur yr 2.15 3.22 1.51 13.46 1.57 9.68 1.63 17.20 1.63 11.63	2.10 2.10 1.80 7.56 7.82 1.82	2.77 2.78 2.79 2.79 2.79
nt.	5 ym 4 10 yes 4 15 yes 4 20 ym 4 Gapen Bentr Methoc FT Fixed Interest i	,65 4,65 ,55 4,53 ,54 4,53 ,59 4,53 ,64 1,00 ,64	6.02 5.77 5.71 5.70 1.75 and on 1.13 Apr 12 4.19 114.44	ired † Wed. 15 yrs High 15 yrs E f für piet. 1 Apr 9 Ap 114,60 114	4.65 4.55 4.65 at the a data r 8 1r ago	4,64 5,6 4,54 5,7 4,64 5,6 //ipr [,1 117.17 9	331	Up to 5 yr Over 5 yr 5-15 yrs Over 15 y All Stocket	Apr 14 pes E.Bi 9 1.80 1.83 1.75 1.84 Apr 14	Dur yes Apr 12.27 1. 12.27 1. 17.12 1. 11.22 1.	7 13 Yr a 29 3.5 78 2.9 83 3.1 77 2.9 83 3.0 48 12	5 9 0 4 0	7 14 Dur yr 2.15 3.22 1.51 13.46 1.57 9.68 1.63 17.20 1.63 11.63	2.10 2.10 1.80 7.56 7.82 1.82	2.77 2.78 2.79 2.79 2.79
	5 ym 4 10 ym 4 15 ym 4 15 ym 4 20 ym 4 6mper Amet Medius FT Flood Internet i 6met Sect. (00) 0 FTSE Internet of only yellow UK G(LTS	(65 4.95 .55 4.95 .54 4.53 .54 4.53 .54 4.53 .54 4.53 .54 4.53 .64 1.04 40 .74 1.04 40	6.02 5.77 5.71 5.70 6. 11% and on 113 Apr 12 1.79 114.44 1.79 114.44 1.79 114.44	Ired † 16ed, 15 yes High 15 yes 17 for plot. 1 An 9 Ap 174,09 T1-	4.65 4.55 4.65 of ther as olds. or 8 3r ago 1.15 195.49	4,64 5,6 4,54 5,7 4,64 5,6 //ipr [,1 117.17 9	331	Up to 5 yr Over 5 yr 5-15 yrs Over 15 y All Stocket	Apr 14 9 1.80 1.81 1.78 1.78 1.84  Apr 14 155,Ar 1017, Pred 440 1804	Dur yes Apr 13.27 1. 9.64 1. 17.12 1. 11.22 1. Apr 19	7 13 Yr a 29 3.5 78 2.9 83 3.1 77 2.9 83 3.0 48 12	55 9 9 9 9 40 9 40 9 40 9 55.85 15 80 179.46	7 14 Dur yr 2.15 3.22 1.51 13.46 1.57 9.68 1.63 17.20 1.63 11.63	2.10 2.10 1.80 7.56 7.82 1.82	2.77 2.78 2.79 2.79 2.79
	5 ym 4 10 ym 4 15 ym 4 15 ym 4 20 ym 4 Compan Amel Medice. FT Flood Internet i Eart. Sect. (III) 0 FFSE Internet and y ym Internet UK GILTS	.65 4.95 .55 4.95 .54 4.53 .59 4.53 .66 4.50 .66 4.50 .66 4.50 .67 14 40 .76	6.02 5.77 5.71 5.70 1.75 and on 1.13 Apr 12 4.19 114.44	Ired † 16ed, 15 yes High 15 yes 17 for plot. 1 An 9 Ap 174,09 T1-	4.65 4.55 4.65 of ther or data or 8 % ago 1.15 195.49 Securities Mai-	4.84 S.II 4.54 S.F 4.84 S.F 18pt La 117-17 9 shore to syndam in pivites for	22 23 33 33 33 33 33 33 33 33 33 33 33 3	Up to 5 years 5 years 5 years 5 years 6 years	Apr 14  9 1.80  1.81  1.81  1.84  Apr 14  1.55.A7  1.84  449 1804.	Dur yee Apr 13.07 1. 13.27 1. 13.27 1. 17.12 1. 11.22 1. Apr 13 155.55	13 Yr a  89 3.5  79 2.9  83 3.1  77 2.9  78 3.7  Apr 12	5 9 0 4 0	2.15 3.22 1.51 13.46 1.57 9.58 1.63 17.23 1.63 17.23 1.63 17.23 1.63 17.23 1.63 17.23 1.63 17.23 1.63 17.23	2 Apr 13 2.10 1.80 7.82 1.82 1.82 1.82 1.83 1.82	2.77 2.78 2.79 2.79 2.79 2.79 115.32
	5 ym 4 10 ym 4 15 ym 4 15 ym 4 20 ym 4 Gwyn Amer Madae. FT Flood Interact i East. Seco. (III) O FYSE International columns III GILTS  Black Blac	.65 4.95 .55 4.95 .54 4.95 .59 4.95 .59 4.95 .60 100 100 .60 100 100 .60 100 100 .60 100 100 .60 100	6.02 5.71 5.71 5.75 k 175 and on 13 Apr 12 113 Apr 12 114.44 Price E + or -	lited † Held, 15 yea High 15 yea E f For plots 1 Apr 9 Ap 114,09 114  — 52 work . High Lan	4.65 4.55 4.85 M Thur at data or 8 1/2 ago 1.15 195.49 Securition High-	4.64 S.6 4.54 S.7 4.64 S.6 18pt L 117.17 9 short to replace for photos for	33 33 4 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	Up to 5 y Over 5 y 5-15 yea Over 15 y All Stocks  Rised Internet (Index, low 40.1)  Placed Internet (Index) (I	Apr 14  9 1.80 1.81 1.78 1.84  Apr 14  155,A1 10178 10	Dur yee Apr 1.20 2 13.27 1 13.27 1 17.12 1 17.12 1 11.22 1 Apr 13 155.55 Interest high p	13 Yr a 29 3.5 79 29 3.5 3.1 77 29 3.7 3.7 4 12 155.84 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	5 9 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	pr 14 Dur yr 2.15 2.22 13.46 1.57 9.68 1.63 17.22 11.61 1.61 142.36 2249.48, he	2 Apr 13 2.10 1.80 7.82 1.82 1.82 1.82 1.82 1.82	2.77 2.78 2.79 2.79 2.79 2.79 115.32 52 week
	5 ym 4 18 ym 4 18 ym 4 15 ym 4 Capyra Brotz Medice. FT Flood Interest i Envi. Seco. (UII) O FISE Interested (16 unior of vij yet men. UK. GILTS Natural States op to Fine		6.02 5.77 5.78 5.78 b 175 and on 175 and on	hred † Need, 15 yes High 15 yes if flar plate 1 Apr 9 Ap 114,89 114 Nee Comment 18th Lan 103,82 180,50 98,6	4.65 4.55 4.85 mi Ther as date. 15 195.49 1.5 195.40 1.5 195.40 1.5 195.40 1.5 195.40 1.5 195.40 1.5 195.40 1.5 195.40 1.5 195.40 1.5 195.40 1.5 195.40 1.	4.84 S.II 4.54 S.7 4.84 S.8 High Li 117-17 9 Green temperature in photos for 1	33 33 33 33 33 33 33 33 33 33 33 33 33	Up to 5 yr 5-yr 5-yr 5-yr 5-yr 5-yr 75 yr 5-yr 75 yr 6-yr 75 yr 75 yr 6-yr 75 yr 75 yr 6-yr 75 yr 75 yr 6-yr 75 yr 75	Apr 14  3 1.80 1.81 1.75 1.84  Apr 14  25.54 1.75 1.84  Apr 14  25.54 110.4 125.51 110.8 132.1 132.8 132.8 132.8 132.8 132.8 132.8 132.8 132.8 132.8 132.8	Dur yes Age 1.00 1.00 1.00 1.00 1.00 1.00 1.00 1.0	7 13 Yr a 89 3.5 79 2.9 83 3.1 1.77 2.9 3.7 12 155.84 1 155.84 1 164.0 004.0 0	55,85 15 40x 138,46 4 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	pr 14 Dur yr 2.15 2.22 1.51 13.46 1.57 9.68 1.83 17.22 1.83 17.23 1.83 11.83 17.84 17.22 1.83 11.83 1.83 11.83	2 Apr 13 2.10 1.50 1.50 7.52 1.52 1.52 1.52 1.52 1.52 1.52 2.50 1.52 2.500 198.	2.77 2.79 2.79 2.79 2.79 2.79 115.32 52 week gh Low
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	5 ym 4 18 ym 4 15 ym 4 15 ym 4 20 ym 4 6mpus hants Mediuc FT Flood Internet i Eret. Secs. (00) 0 PSE Internet iot ants of oil yof mm VUK GILTS  Then to'ge test		6.02 5.77 5.78 5.78 b 175 and on 175 and on	hred † Need, 15 yes High 15 yes if flar plate 1 Apr 9 Ap 114,89 114 Nee Comment 18th Lan 103,82 180,50 98,6	4.65 4.55 4.85 4.85 4.85 4.85 4.85 4.85 4.8	4.84 S.I 4.54 S.7 4.84 S.8 1101 L 117.17 9 9000 temples 1005 S. 7 1005 S. 7	33 22 23 33 34 32 34 34 34 34 34 34 34 34 34 34 34 34 34	Up to 5 y 5-15 year Cover 15 y 46 Stacks  Pland Interest (1972), low 49.11  Pland Interest 49.11  Pland Intere	Apr 14  3 1.80 1.81 1.75 1.84  Apr 14  Apr 14  155.47 1 155.47  155.41 112.41 112.41 111.73 101.9 121.82 121.82 121.82 121.82 121.82 121.82 121.82 121.82 121.82 121.82 121.83 121.8	Dur yes Age 1.11 2. 1.2.27 1. 9.54 1. 17.12 1. 1	7 13 Yr a 89 3.5 79 2.9 83 3.1 77 2.9 3.0 3.0 3.0 12 155.84 1 1600 0000000000000000000000000000000	55.85 15.85 17.84 (1) (2) (2) (2) (2) (2) (2) (2) (2) (2) (2	Pr 14 Dur yr 2.15	# Apr 13 2.10 1.60 1.60 7.52 7.52 1.62 1.62 1.52 1.52 1.52 1.52 1.52 1.52 1.52 1.5	2.77 2.78 2.79 2.79 2.79 2.79 115.32 15.77 15.32 16 191.95 18 191.95 18 191.95 18 191.95 18 191.95 18 191.95 18 201.95 18 201.95
	5 year 4 10 yes 4 15 yes 4 15 yes 4 20 yea 4 General Amelian Medican FT Floord Internet in Genet. Sects. (IIII) O PTSE International Content and vol. year instead International Content and vol. year instead International Content in vol. year in the Tenne Volgan 1939 International Content in Volgan 1939 Int		6.02 5.77 5.71 5.70 6.715 and one 7.13 Apr 12 C.19 114.44 Price 18 and one 18 and	Head † Head, 15 yea High 15 yea I file plat y Apr 9 Ap 114,89 114 High Lan 152 years 183	4.65 4.65 4.85 4.85 4.86 W Sage U.S 195.49 Securities Male Sec	4.84 S.II 4.84 S.II 4.84 S.II 117.17 9 1000 — 7.7 1000	100	Up to 5 y 5-15 yea Over 15 y 5-15 yea Over 15 y All Stocks  Placed Internet (1972a), low 40,171  Price 2 - 41 - 22,2300 + ,0200 110,3100 - ,0100 101,4000 - ,0100 101,4000 - ,0100 23,5200 + ,0000 23,5200 - ,0000 23,5200 - ,0000	Apr 14  Apr 14  1 1.80  1.80  1.81  1.84  1.84  1.55,47  1.84  1.55,47  1.84  1.55,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.84  1.85,47  1.85,4	Dur yes Age 1.11 2. 1.2.27 1. 2.54 1. 17.12 1. 1	7 13 Yr a 89 3.5 79 2.9 83 3.1 1.77 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 2.9 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7 3.7	Apr 9 Apr 9 Apr 9 Apr 9 Apr 9 Apr 9 Apr 191.46	PT 14 Dur yr 2.15 3.22 1.61 13.46 1.57 9.68 1.63 17.26 1.63 1	8 Apr 13 2.10 1.60 1.60 7.58 7.58 1.82 1.82 1.82 1.82 1.82 1.82 1.82 1.8	2.77 2.78 2.79 2.79 2.79 115.32 115.3
	5 ym 4 10 ym 4 15 ym 4 15 ym 4 20 ym 4 Gegran Arabin Madhae FT Flood Internet i Brot. Sect. (UII) O PYSE International (ui) Internation		6.02 5.71 5.71 5.73 1.75 and one 1.75 and 1.75 and one 1.75 and 1.75 and one 1.75 and 1.75 a	Head † Head, 15 yea High 15 yea E f For plate 1 Apr 9 Ap 114,99 114 High Lan 100,00 100,50 100,50 100,5	4.65 4.65 4.85 4.86 M Ther as date.  15 195.49 Securities High- Tensor Page 2 A Tensor Page 2 Tensor	4.84 S.II 4.84 S.II 4.84 S.II 117.17 9 117.17 9 118.18 18 118.18 1	33 33 33 33 33 33 33 33 33 33 33 33 33	Up to 5 y Over 5 yr 5-15 yea Over 15 y All Stocks  Placed Interest 11 years 48,11 years 48	Apr 14  Apr 14  1.20  1.20  1.20  1.20  1.20  1.21  1.21  1.24  1.25  1.24  1.25  1.24  1.25  1.24  1.25  1.24  1.25  1.	Dur yes Age 1.11 2. 1.2.7 1. 2.5.61 1. 17.12 1.	## 13 W a ## 3.5	55.85 15.85 17.86 1.89 1.89 1.89 1.89 1.89 1.89 1.89 1.89	pr 14 Dur yr 2.15	2 Apr 13 2 10 1 1,60 1 1,60 7 ,58 7 ,52 1 1,60 1 1,60 1 1,60 2 1,60 2 1,60 2 1,60 2 1,60 2 2	2.77 2.78 2.79 2.79 2.79 2.79 2.79 2.79 2.79 2.79
	5 ym 4 10 ym 4 15 ym 4 15 ym 4 Guyen Amer Mediuc FT Flood Interset i Smot. Seco. (III) O PTSE International Lat notes of oil yet interset ILIK G(LTS  These Style 2005 Com 10 ym 1925 Com		6.02 5.71 5.75 5.75 6.775 and one 7.13 Apr 12 4.79 114.44 Apr 12 4.79 114.44 Apr 12 4.79 114.44 Apr 12 4.79 114.44 Apr 12 Apr 12 4.79 114.44 Apr 12 4.70 114.44	Heat † Heat 15 yea High 15 yea I fair plat 1 Apr 9 Ap 114.99 114 High Lan 103.92 103.95 105.90 105.11 105.91 105.91 105.91 105.91 105.91 105.91 105.91 105.91 105.91 105.91 105.91 105.91	4.65 4.65 4.85 4.85 4.85 4.85 4.85 4.85 4.85 4.8	4.84 S.I. 4.84 S.I. 4.84 S.I. 117.17 9 117.17 9 1000 topological 1000 — 6: 1	33 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	Up to 5   Ower 5   Property   Ower 15   Ower	Apr 14  Apr 14  1.80  1.80  1.81  1.84  1.75  1.84  155.47  155.47  155.47  155.21  123.21  123.21  123.21  123.20	Dur yes Age  1.11 2.27 1.2.27 1.13.27 1.17.12 1.17.12 1.18.27 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55 1.11.22 1.155.55	13 Yr a  89 3.5, 78 2.9  83 3.1  77 2.9  80 3.7  155.84 1  155.84 1  160 00000000000000000000000000000000	Agr 9 Agr 9 Agr 9 Agr 9 Agr 9 Agr 191.46 Agr 9 Agr 191.46 Agr 191.	pr 14 Dur yr 2.15 3.22 1.51 3.46 1.57 9.68 1.83 17.26 1.63 11.43 17.27 1.63 11.43 17.20 1.63 11.43 17.20 1.63 11.43 17.20 1.63 11.43 17.20 1.63 11.43 17.20	2 Apr 13 2 10 1 1,80 7 .58 7 .82 1 1,	2.77 2.78 2.79 2.79 2.79 2.79 2.79 115.32 15.32 15.32 15.32 16.32
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	5 ym 4 10 ym 4 15 ym 4 15 ym 4 16 ym 4 16 ym 4 16 ym 17 1		6.02 5.71 5.71 5.71 5.75 6.175 and one  113 Apr 12 4.75 114.44 4.75 114.44	Head † Head, 15 yea High 15 yea I fair plat ; Apr 9 Ap 114,89 114 103,52 103,50 105,51 103,51 103,51 103,52 103,50 105,54 102,5 105,54	4.65 4.55 4.85 4.85 4.85 4.85 4.85 4.85 4.8	4.84 S.6 4.84 S.6 4.84 S.6 117.17 9 117.17 9 1000 to 1000 for 1000	33 33 33 33 33 33 33 33 33 33 33 33 33	Up to 5 y Over 5 yr 5-15 yra Cover 15 yr 5-15 yra Cover 15 yr 5-15 yra Cover 15 yr 6-15 yra Cover 15 yr 6-15	Apr 14  3 1.80 1.81 1.75 1.84  Apr 14  1.55.47 1.84  Apr 14  155.47 18.24 18.21 18.24 18.21 18.22 18.22 18.22 18.22 18.23 18.22 18.23 18.24 18.25 18.2	Dur yes Age  1.11 2  1.27 1  9.64 1  17.12 1  17.12 1  17.12 1  11.32 7  155.55  Interest High a  2 252 7  2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2 2	13 W a	Apr 9 Apr 193,46 Ap	pr 14 Dur yr 2.15	# Apr 13 2.10 1.60 1.60 7.58 7.58 7.58 7.58 7.58 7.58 7.58 7.58	2.77 2.78 2.79 2.79 2.79 2.79 115.32 15.37 16.41 19.58 15.53 16.12 10.18
	5 ym 4 18 yes 4 15 yes 4 15 yes 4 15 yes 4 Gapen Jenet Medice. FT Fixed Interest i Dest Sec. (IDS) 0 PTSE Interested Lat outer of port and Interest Vigor 1999 Interest Vigor 2009 Interes	65 4.95 55 4.55 55 4.55 56 4.55 56 4.55 57 4.55 58 4.5	6.02 5.77 5.79 5.79 6.775 6.77	Head † Head, 15 yea High 15 yea High 15 yea Apr 9 Apr 9 114,89 114 114,89 114 115,25 105,85 115,25 105,85 115,25 1	4.65 4.55 4.85 4.85 4.85 4.85 4.85 4.85 4.8	4.84 S.6 4.84 S.6 4.84 S.6 117.17 9 117.17 9 1000 e. 1000 1000 3 7 1000 3 1	9.31   13   13   13   13   13   13   13	Up to 5   Ower 5   P	Apr 14  Apr 14  1.80  1.80  1.81  1.78  1.78  1.55,47  1.	Dur yes Age  1.11 2 1.12.27 1 9.64 1 17.12 1 17.12 1 11.32 7 155.55 Interest High a 2 12/20 13 2 12	13 W a	Apr 9 Apr 199.46  ** Q.55.85 15 15 15 15 15 15 15 15 15 15 15 15 15	pr 14 Dur yr 2.15	# Apr 13 2.10 1.60 1.60 7.58 7.58 7.58 7.58 7.58 7.58 7.58 7.58	2.77 2.78 2.79 2.79 2.79 2.79 115.32 15.32 15.37 16.32 16.32 17.15.32 16.32 16.32 17.15.32 10.16.33
	5 ym 4 18 yes 4 15 yes 4 15 yes 4 15 yes 4 Gayen Annie Maller FT Flood Interest i Dest 5 yes 1 0 PTSE Interest of the series of	65 4.95 55 4.55 55 4.55 56 4.55 56 4.55 56 4.55 57 4.55 58 4.5	6.02 5.77 5.79 5.79 6.175 and one 7.12 Apr 12 4.79 114.44 moreout. * to 1 more	Head 7 Head, 15 yea Head, 15 yea Head, 15 yea Head, 15 yea Apr 9 A	4.65 4.55 4.85 4.85 4.85 4.85 4.85 4.85 4.8	4.84 S.6 4.84 S.6 4.84 S.6 117.17 9 117.17 9 1000 S.6 1000 \$ 61 10	33 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	Up to 5   Ower 5   P	Apr 14  3 1.80  1.81  1.84  Apr 14  1.84  Apr 14  1.55.41  1.54  4.75  1.55.47  1.55.51  1.52.49  1.52.49  1.52.49  1.52.49  1.52.49  1.52.51  1.52.69  1.52	Dar yes Age  1.11 2 1.27 1 9.64 1 17.12 1 17.12 1 17.12 7 155.55 Interest telph s 2 2-2-2 2 2-	13 Yr a  89 3.5.  89 3.5.  83 3.1.  77 2.9.  83 3.7  40r 12  155.84 1  155.8	Apr 9 Apr 199.46  ** Q.55.85 15 15 15 15 15 15 15 15 15 15 15 15 15	pr 14 Dur yr 2.15	# Apr 13 2.10 1.60 1.60 7.58 7.58 7.58 7.58 7.58 7.58 7.58 7.58	2.77 2.78 2.79 2.79 2.79 2.79 115.32 15.32 15.37 16.32 16.32 17.15.32 16.32 16.32 17.15.32 10.16.33
	5 ym 4 18 yes 4 15 yes 4 15 yes 4 15 yes 4 Gayer Brote Medice FT Flood Interest i Dest telecolored to make of oil yet from LUK GILTS  Mater 10 yet yet from Love 10 yet from Lov	65 4.96 55 4.55 54 4.55 54 4.55 54 4.55 54 4.55 56 4.57 104.12 11 105.4 4.60 106.00	6.02 5.77 5.79 6.715 and one 7.13 Apr 12 1.79 114.44 1.79 12 1	Head 7 Head, 15 year Head, 15 year Head, 15 year 144,89 114 Head 144,89 114 He	4.65 4.55 4.86 4.55 4.86 4.55 4.86 4.86 4.87 4.88 4.89 4.80 4.88 4.80 4.88 4.80 4.80 4.80 4.80	4.84 S.6 4.84 S.6 4.84 S.6 117.17 9 117.17 9 1000 S.6 1000 \$ 61 10	33 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3 3	Up to 5 y Over 5 y 5-15 yes Over 15 y 5-15 yes Over 15 y All Stocks  Placed Internet (Incase, low 48.11 Inclines or 0177  Page 4.22 Incase 4.20 Incas	Apr 14  3 1.80  1.81  1.84  Apr 14  1.84  Apr 14  1.55.41  1.54  4.75  1.55.47  1.55.51  1.52.49  1.52.49  1.52.49  1.52.49  1.52.49  1.52.51  1.52.69  1.52	Dar yes Age  1.11 2 1.27 1 9.64 1 17.12 1 17.12 1 17.12 7 155.55 Interest telph s 2 2-2-2 2 2-	13 Yr a  89 3.5.  89 3.5.  83 3.1.  77 2.9.  83 3.7  40r 12  155.84 1  155.8	Apr 9 Apr 199.46  ** Q.55.85 15 15 15 15 15 15 15 15 15 15 15 15 15	pr 14 Dur yr 2.15	# Apr 13 2.10 1.60 1.60 7.58 7.58 7.58 7.58 7.58 7.58 7.58 7.58	2.77 2.78 2.79 2.79 2.79 2.79 115.32 15.32 15.37 16.32 16.32 17.15.32 16.32 16.32 17.15.32 10.16.33
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	5 ym 4 10 yes 4 15 yes 4 15 yes 4 15 yes 4 Gapen Annie Madae FT Flood Interest i Dest Sect. (US) 0 PTSE Interested interest i OPTSE Interested interest i Interest Interested interest i Interest Interested intere	65 4.95 55 4.55 56 4.5	6.02 5.77 5.79 5.79 6.175 and one 113 Apr 12 4.79 114.44 merced. * to 1 merced. * to 1 merced. * to 1 merced. * to 1 merced. * to 2 merced. * to 2 merced. * to 3 merced. * to 3 merced. * to 3 merced. * to 4 merced. *	Head 7 Head, 15 year Head, 15 year Head, 15 year 14 year 14 year 14 year 15 year 16 ye	4.65 4.55 4.85 4.85 4.85 4.85 4.85 4.85 4.8	4.84 S.II 4.84 S.II 4.84 S.II 117.17 9 117.17 9 118.18 1 117.17 9 118.18 1	10	Up to 5 ; Over 5 ; 5-15 yes Over 15 ; 5-15 yes Over 15 ; All Shocks  Pland Interest 1-14 Shocks  Pland Interest 1-14 Shocks  Pland Interest 1-14 Shocks  Pland Interest 1-15 yes 1-15 y	Apr 14  Apr 14  1.80  1.80  1.81  1.84  Apr 14  1.55,47	Dar yes Apr  1.11 2 1.12.27 1 1.2.27 1 1.1.22 1 1.1.1.22 1 1.1.1.22 1 1.1.2	### 13 W a ### 13 W a ### 15 ##### 15 ### 15 ### 15 ### 15 #### 15 ### 15 ### 15 ### 15 ### 1	Apr 9	pr 14 Dur yr 2.15	# Apr 13 2.10 1.60 1.60 7.58 7.58 7.58 7.58 7.58 7.58 7.58 7.58	2.77 2.78 2.79 2.79 2.79 2.79 115.32 15.32 15.37 16.32 16.32 17.15.32 16.32 16.32 17.15.32 10.16.33
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1 t t t t t	5 ym 4 10 yes 4 15 yes 4 15 yes 4 15 yes 4 16 yes 10	174.12 11 110.5 4.95 110.5 110	4.02 5.77 5.79 5.79 6.77 5.79 6.77 6.77 6.77 6.77 6.77 6.77 6.77 6	Head 7 Head, 15 year Head, 15 year Head, 15 year Head, 15 year Apr 9 Apr	4.65 4.55 4.85 4.85 4.85 4.85 4.85 4.85 4.8	4.84 S.II 4.84 S.II 4.84 S.II 4.84 S.II 117.17 9	9.37   13   13   13   13   13   13   13	Up to 5   Ower 5   Power 5   Power 5   Power 5   Power 15   Powe	Apr 14  Apr 14  1.80  1.80  1.81  1.84  Apr 14  1.55,47	Dur yes Age  1.11 2 1.27 1. 2.64 1. 17.12 1. 17.	## 13 W a ## 13 W a ## 13 W a ## 12	Apr 9 A  55.85 15  55.85 15  60 10 20  Apr 9 A  155.85 15  150 10 20  150 10 10 10 10  150 10 10 10 10  150 10 10 10 10  150 10 10 10  150 10 10 10  150 10 10 10  150 10 10 10  150 10 10 10  150 10 10 10  150 10 10 10  150 10 10  1	pr 14 Dur yr 2.15 3.22 1.51 13.46 1.57 9.88 1.83 17.26 1.83 17.27 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1.83 17.20 1	# Apr 13 2 10 1.60 1.60 7.58 7.58 7.58 7.58 7.58 7.58 7.58 7.58	2.77 2.78 2.79 2.79 2.79 2.79 2.79 2.79 2.79 2.79
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e e e	5 ym 4 10 yes 4 15 yes 4 15 yes 4 15 yes 4 16 yes 16 16 yes 1	114.12 11 118.14	4.02 5.77 5.79 5.79 6.715 and one 7.13 Apr 12 4.79 114.44 1.79 1.79 1.79 1.79 1.79 1.79 1.79 1.79	Heat † Heat 15 pm Heat 16 pm Heat	4.65 4.65 4.85 4.85 4.85 4.85 4.85 4.85 4.85 4.8	4.84 S.II 4.84 S.II 4.84 S.II 4.84 S.II 117.17 9 117.17 9 117.17 9 118.18 1	3.31 (1) (2) (3) (3) (3) (4) (4) (4) (4) (4) (4) (4) (4) (4) (4	Up to 5   Ower 5   P	Age 14  Age 14  1.80  1.80  1.81  1.84  1.84  1.85  1.84  1.85  1.87  1.84  1.85  1.87  1.84  1.85  1.87  1.84  1.85  1.87  1.84  1.85  1.87  1.87  1.87  1.88  1.	Dar yes Apr  1.11 2.27 1.29 1.17.12 1.17.12 1.17.12 1.18.27 1.18.27 1.18.27 1.18.27 1.18.27 1.18.28 1.19.18 1.	### 13 ** ## 3.5	Apr 9	pr 14 Dur yr 2.15 3.22 1.51 13.46 1.57 9.88 1.83 17.26 8.83 11.81 1.87 1.88 17.26 8.83 11.81 1.82 1.82 1.83 1.83 1.83 1.83 1.83 1.83 1.83 1.83	# Apr 13  2 10 1.60 1.60 7.58 7.58 7.58 1.52 1.62 1.62 1.62 1.62 1.62 1.62 1.62 1.6	2.77 2.78 2.79 2.79 2.79 2.79 2.79 2.79 2.79 2.79
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**CURRENCIES & MONEY** 

# · Dollar slides as yen carries the day

#### MARKETS REPORT

By Alan Beattle

against the dollar as the about the move in the short debate on waning Japanese capital outflows reawakened. and some warned that the yen carry trade was back in tashion.

In another otherwise soposific day in the currency markets, the yen rose to a closed in London at Y118.7, two-week high against the still within the range of the dollar as the market reacted to news that Japanese life insurance companies were planning to keep more of their money at home.

Combined with research published by ABNAmro which attracted the attention of many in the market by suggesting that the yen carry trade was back in fashion, this recalled for some the events of last October. With a renewal of leveraged positions in overseas assets based on yen borrowing, a rise in the yen because

But few traders in the markets could bestir them-The yen rose yesterday selves to get too excited term, especially given the widespread belief that the Bank of Japan has its inter-

> ready below the Y110 level. Although the dollar fell against the yen yesterday, it past couple of months and some way from the edge of the Bank of Japan's apparent comfort zone.

Tony Norfield, treasury over that period," he said. economist at ABN-Amro, said that estimates from the Japan Centre for International Finance suggested

MI PO	KURND IN N	EM ADMK
Apr 14	····Lateryl-···	Prov. close-
£ apot	1.5175	1.8160
1 min	1.6170	1.8155
3 min	1.5163	1.5148
t ye	1.6153	· 1.8t47

of capital repatriation could that ourstanding yen carry-trigger a sell-off in dollars. highest level since August

Extant positions totalled \$18bn in February and March, the JCIF said, after overnight interest rates Bank of Japan has its inter-vention gun drawn and the Bank of Japan's apparent policy of putting a floor under the yen increased the attractive Mr Norfield said probably half of this was invested in the Nikkei. "But the rest may explain strength in the

dollar, especially since avail-

able data suggested capital repatriation by the Japanese The suggestion compounded news reported in . the Nibon Keizei Shimbun newspaper that the five largest life insurance companies in Japan were planning to halve overseas bond purchases in the new fiscal year in favour of domestic as

the recent tankan survey

showing large enterprises scaling down their expectstions for dollar/yen, this for the dollar," said Divyang

Shah, strategist at the con-sultancy IDEA in London. Mr Norfield said that, although be remained bearish of the yen over the next lar and euro. "With sales of range and surging up above earos against the yen conault deal, and the technical picture suggesting that the dollar has broken through the uptrend line it has established since the Y106 trough,

term yen rise," he said. Michael Petley of the ECU Group agreed that the technical pattern was set for dol-lar weakness. The yen has sliced through the dollar's uptrend like a hot knife brough butter," he said.

there are risks of a near-

The Singaporean dollar also made a brave effort to lift the torpor yesterday,

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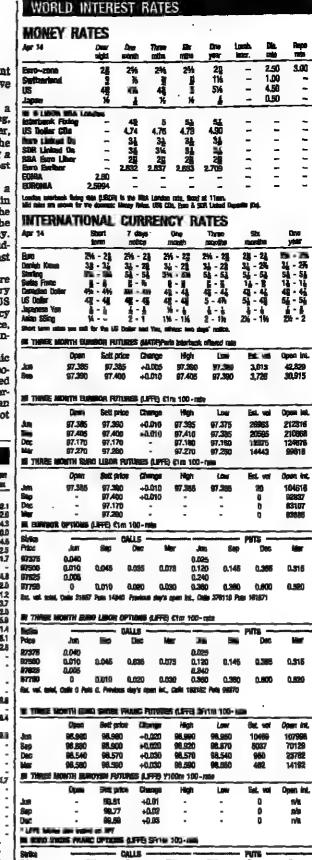
of a yen rise against the dol- breaking out of its recent the S\$1.70 level.

The currency was given a the deputy prime minister, said on Tuesday that the weaker dollar to boost

export growth. The remark, made at a Merrill Lynch conference in London, combined with the stronger yen to drive the currency higher yesterday. At the end of London trading it was at S\$1.6930 against the US dollar.

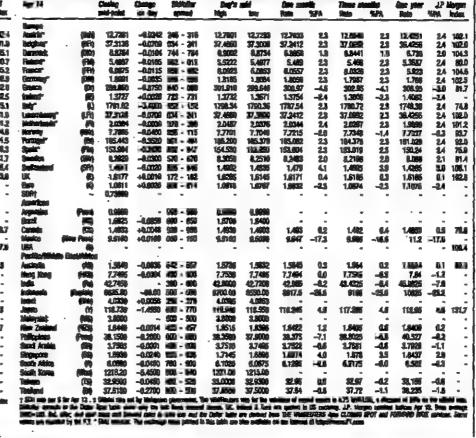
"In contrast, there were authority were buying US dollars as the local currency rose," said Michael Wallace currency manager at Stan-

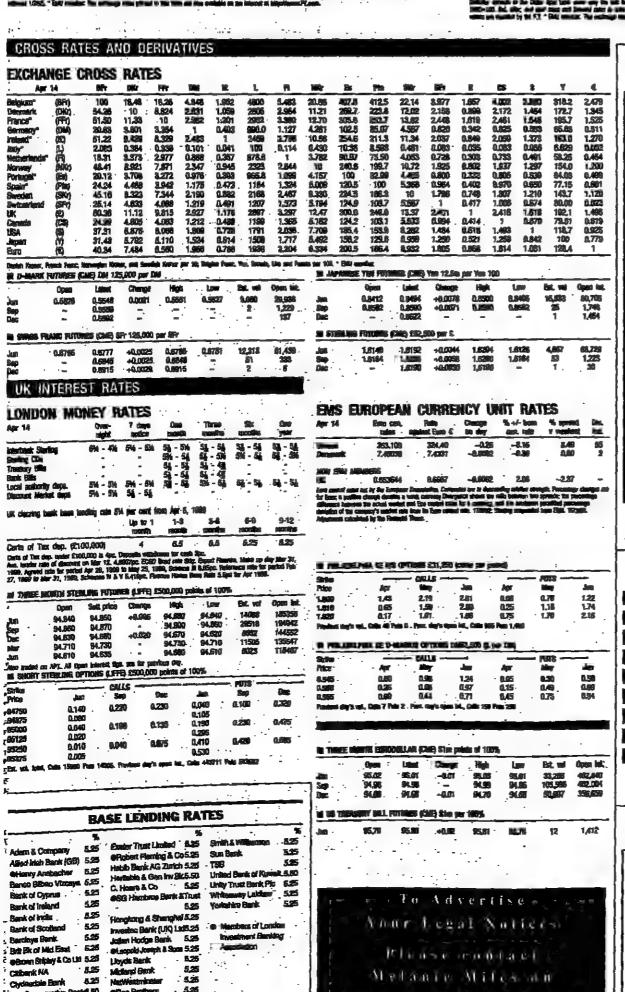
This gave rise to the ironic possibility that the Singaporean authorities were forced to sail their currency vester day as a direct result of an assurance that they had not done so recently.



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## POUND SPOT FORWARD AGAINST THE POUND \$12247 11.1032 :8.8786 9.795 2.92 481.716 1.1798 90.3265 11.1105 4.8905 9.8065 2.9240 484.570 1.1775 2895.50 90.2150 1.2850 12.4600 284.600 284.600 13.3619 \$1.9713 11.0837 8.2502 8.7516 2.2977 40.724 1.1700 2074.55 59.9713 12.973 20.967 12.973 20.967 12.975 20.967 13.9876 11.1521 8.9250 9.8464 2.9864 487.867 +0,0010 170 - 180 -0,0064 646 - 943 +0,0053 142 - 178 +0,0257 715 - 872 191.22 5.3 2,9776 61,7261 61,775 2,7125 16,0505





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## Nico Colchester journalism fellowship

Applications are invited from young European journalists and would-be journalists for the 1999 Nico Colchester fellowship. This consists of a three-month internship at the Economist in the autumn of this year, a bursary of £4,000 to cover travel and accommodation, and a small weekly stipend from The Economist.

The fellowship is established in memory of Nico Coichester, who died in 1996 at the age of 49, after an outstanding career at the Financial Times, The Economist and the Economist Intelligence Unit. Nico was one of Britain's finest writers on foreign, especially European, affairs as well as technology and business.

The trustees of the Nico Colchester foundation will award the fellowship to the applicant, from the European Union country other than Britain, who submits the best, specially-written 1,000-word article, in English, on a topic relevant to political, economic, technological or business issues in Europe. As Nico's work was characterised by its originality and humour, preference will be given to applicants who reflect those traits.

Entries, by the closing date of May 31st 1999, should be sent with a CV and covering letter, to: The Editor (Nico Colchester prize), The Economist, 25 St. James's Street, London SW1A 1HG. E-mail: be@economist.com

This prize is supported by Halifax plc, the Financial Times, The Economist, B.A.T. plc and 3i. The 2000 fellowship will consist of an internship at the Financial Times

KfW International Finance Inc. USD 25 Mrd Multicurrency Debt Issuance Program GBP 1 Mrd. FRN due July 08, 2001 - German Security Code 176 947 -

We would like to announce, that the interest rate for the period of April 08, 1999 to July 07, 1999 Included (91 days) has been fixed at 5,05125% p.e. The coupon amount per GBP 100,000.- will be

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Net Asset Value

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CMEC GE Capital China Industrial Holdings Limited

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# Pretoria in dispute with De Beers |Sugar

By Victor Mallet in Johannesiner

Africa's minerals and energy minister, has ordered an urgent investigation into a - worth \$1bn a year - prices high. caused by a dispute between

De Beers and the state over

Organisation in London.

De Beers and the CSO ex-De Beers employees. stockpile diamonds and operstoppage of the country's ate a cartel to control the

The value of several "parcels" of diamonds from the valuation of diamonds South African mines, worth tens of millions of dollars, is De Beers, apparently fear- in dispute. Mr Maduna has ing an increased corporate appointed a team to report tax liability that could go to him on the "impasse in back several years, believes the export of diamonds" by the newly appointed "gov the end of next week.

Penuell Maduna, South De Beers' Central Selling Proval, the former govern- below their real value. But ment valuator staffed by

For several weeks the new valuator - a company called international diamond trade world market and keep Diamond Valuation International Co (DVIC), owned by Belgian, British and black South African interests ~ has made valuations rejected

by De Beers. "I think it's the first time they have ever been challenged on a diamond value," says one Johannesburgbased analyst, "The allega

Analysts say De Beers ben- tion is clearly that De Beers see as the politicallyis putting too high a price on efited in the past from an has been transferring dia-motivated choice of DVIC for diamonds to be exported to easy relationship with monds out of the country at the four-year contract.

what is their real value?" tably disputed, analysts say. because there is no free market in the stones and De Beers has to bear the costs of carrying stock.

De Beers declined to comment yesterday except to years might be reviewed. acknowledge there had been "teething problems" with DVIC. But its industry allies say there are divisions in the government-appointed Dia- We are not saying they can't mond Board over what some export," he said.

Victor Sibiya, Diamond Board chief executive, con-Diamond valuing is inevi- firmed yesterday that the value of diamonds for export was at issue and said he had "full confidence" in DVIC. He declined to comment on whether the valuation of diamonds exported in previous

> Claude Nobels of DVIC said it was simply doing its job in valuing diamonds. "De Beers says they can't export.

## Codelco puts its faith in copper's cyclicality

est copper producer, surlast year's in the middle of a crisis with rock-bottom prices with the whole country watching fewer bruises than its competitors, Marcos Lima, presi-

dent, knows who to thank. He can start with the company's 18,000 workers, who have agreed to a radical programme of pay freezes, productivity agreements, volun-

He can also look to the engineers and technicians who have developed the technology to make mining and refining the red metal cheaper. But the man who triggered Codelco's conversion from lazy state monolith to the world's leanest, lowest-cost producer was Juan Pablo Dávila, the in-house futures trader caught up in a similar scandal to the one that brought down Yasuo Hamanaka of Sumitomo in 1996.

That episode, in 1994, cost the company about \$250m. forced the untimely resignation of the then president and several other executives and exposed Codelco to the scrutiny of all Chileans, who were suddenly calling for its

privatisation. "This was a company that sent the was accustomed to having a

f Codelco, the world's larg- very high opinion of itself. balance its fiscal accounts Then suddenly it found itself

it." says Mr Lima. When the scandal broke, copper was trading on the London Metals Exchange at around \$1 a pound, and Codelco was producing it at about 65 cents. Last year. when the price averaged a tary redundancy and early 12-year low of 75 cents, the company had succeeded in

reducing direct costs to less

than 45 cents a pound. Last week Codelco reported 1998 pre-tax profits of just \$355m, against \$1.01bn in 1997, on sales down more than 20 per cent at \$3.73bn, although volume deliveries climbed more than 8 per cent to 1.55m tonnes. 15 per cent of world production. Asia, traditionally Codelco's - and Chile's - best customer, slipped into second place behind Europe, buying 22 per cent less in volume terms that in 1997. Of all Asian countries, Korea and Singapore were the only two to receive larger shipments from Codelco. However, the

The dramatic cut in profits

weakness in Asia was offset

by improved demand from

Europe and the Americas.

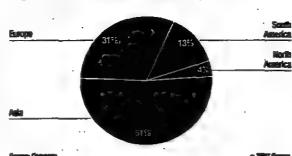
on an average price of 90 cents a pound, digging into the copper stabilisation fund, a national savings account into which surpluses are salted away during the good years to cover shortfalls in the bad.

Codelco foresees another 7 per cent increase in output in 1999, mainly because of the inauguration last year of Radomiro Tomic, its state-ofthe art mine and refining complex in northern Chile. and is working with foreign nartners on a further 10 exploration projects.

eanwhile, a consortium of Falconbridge, V Anglo American and Mitsui has started production at Collabausi, the glant Audean pit with annual capacity of 330,000 tommes of copper concentrate.

All this extra capacity, at a time of intensifying pressure on higher-cost US producers to close mines, does not faze Mr Lima, who puts his faith in commodity cycles as well as the potential of markets such as India and China, where aluminium wiring is still used.

The group is banking on improved demand, says Mark Mulligan Regional treads in Codelco's refined cope



to promote demand in county demand from Asia and clotries such as China, where per-capita consumption of copper is a tiny fraction of that of countries such as Finland, Sweden, Australia and Canada.

"There's an effort being made to convince the entire copper industry to push up the demand." he says. "Every cent in the price of copper represents \$200m of profits at a global level, and the industry is only spending \$40m a year on promoting demand. It's ridiculous." Experts agreed at a copper

symposium in Santiago last week that the price of the metal has hit bottom, with some forecasting a recovery to 70 cents by the end of the He says current difficulties year and to 90 cents by 2001. and parts of Africa. "But as ure to penetrate certain key

sure of loss-making mines by BHP, Phelps Dodge, Asarco and Cyprus Amax.

Codelco has considered closing some of its mines, although the emergency now appears to be over and its focus is on expansion rather than contraction.

For the first time in its 30-year history, Codelco is talking to foreign governments and corporations about projects outside Chile.

"Like all big companies. Codelco is interested in all those areas that the rest of the mining world is considering," says Mr Lima, Company representatives had been in Brazil, Argentina, Ecuador, Venezuela, Mexico

### drops to new lows on Liffe

MARKETS REPORT By Paul Solman, Gilken O'Commor and Robert Coraine

World sugar prices fell again yesterday as bumper exports from Brazil, the largest producer, and weak demand from Russia continued to take their toll on markets.

White sugar dropped to a new low on Liffe with the most actively traded August contract at \$180.10 a tonne in late trading, against Tues-day's close of \$181.70.

In New York, raw sugar remained around its weakest for more than 12 years, the July contract trading at 4.79 cents a pound at mid-day on the Coffee, Sugar and Cocoa Exchange. Tuesday's close of of 4.89 cents was the lowest MINOR 1986

Cocoa futures were slightly firmer than of late, though analysts said the buying remained subdued on signs that chocolate manufacturers - the main consumers - had adequate supplies. Liffe's May cocos contract closed up 28 at £779

Crude oil prices slipped after new data showed a rise in stocks of crude oil and refined products in the US over the past week and a continuing build-up of

Europe's crude inventories. The beliwether May Brent futures contract was quoted at \$14.95 a harrel in late trading on London's International Petroleum Exchange. down 25 cents from Tues-

day's close. After a buoyant Tuesday base metal prices eased back yesterday afternoon and finished lower on the day.

Metal stocks are still at high levels, and production cutbacks remain rumour rather than fact. Martin Squires of Rudolf Wolff warned that the metals' failnything resistance levels was omi-

\$14.12-4.28 -0.3 \$14.67-4.70 -0.33 \$14.65-4.38 -0.23 \$16.26-6.30 -0.47

#### NEWS DIGEST

NICKEL

### inco to lend \$200m to its Indonesian offshoot

International Nickel Indonesia, the mining company, yesterday received shareholder approval to borrow \$200m from its Canadian parent company to provide working capital and complete expansion. The loan from Inco Indonesia's parent, which owns 58.7 per cent of its Indonesian venture, will supplement a \$340m toan from the Export-Import Bank of Japan and the Canadian Export Development Corporation to help pay for an expansion of production from 100m pounds of nickel per year to 150m

Inco Indonesia had expected to finance part of the expansion from cash-flow but a fall in nickel prices has driven the company into losses, Andre Daenuwy, a company director, said the \$580m expansion, which was due for completion in the second half of this year, had also nun over budget by some 10 per cent.

inco Indonesia reported a \$2.6m profit for all of 1996 but a \$3.7m loss in the fourth quarter and the company decided yesterday not to pay a dividend for 1998.

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Sumitomo Metal Mining of Japan owns 20.1 per cent of Inco Indonesia and 20 per cent is publicly owned. Sander Thoenes, Jakarta

KENYAN TEA

#### Smallholder output to fall

Kenyan smallholder tea production is likely to drop by more than 10 per cent this financial year to the end of June, to 670m kg of green tea, compared with 750m kg last year, according to the Kenya Tea Development

That translates to just less than 150m kg of made tea, using a conversion rate of 4.5 to 1, compared with smallholder production of 168m kg for 1997/1998. The shortfalk was caused by a lack of rain in late 1998 and early 1999, although recent rainfall is likely to lead to production

"Production might pick up between now and June," said Eustace Karanja, the KTDA managing director, who also warned that lower prices could result in lower returns for farmers. Kenya vies with Sri Lanka as the largest tea. exporter in the world, and the smallholder sector accounts for 57 per cent of its production.

The news adds to figures recently released by Africa Tea Brokers, an influential trade group in Mombase, which showed a 37.53 per cent production fall in the first two months of this year, and a 45.71 per cent drop in February. The KTDA said its production started picking up towards the end of March.

Mr Karanja also said that the KTDA, which has traditionally dominated smallholder production, would be fully privatised by the end of the year, and added that infrastructure was on the mend.

"Delivery of tea has greatly improved. Last year, we moved far more tea to factories than the year before. The question of roads has been dealt with and farmers are more happy with things as they are now," said Mr Karanja. Mark Turner in Nairobi

#### COMMODITIES PRICES Base Metals

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Cione Previous	1165-70 1170-75	1182-87 1190-95
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ANT COTICAL Kerb close	1171-73	1192-93 1780-89
Coen int.	9 083	1100-00
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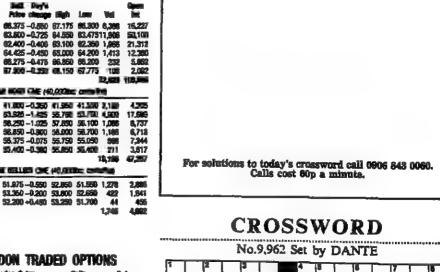
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	Oct	380.8	-21	380.1	30.0	7	1,227	200	300.51	+250	L
		361.3	-21	362.0	362.0		140 10,966		304.50	42.2	r
	III PAI	LADKIN	HYMEX (	100 Tray	02.; <b>2/</b> 0	ny az.)		Total	312.00	+4.50	3
	Jun	366.90			385.00		2,723 226		22E (28T (	5,000 to	1 2
	Gep Dec	362.90 365.90	+1.70	200.00	360'00	Ξ	126	Silver.	217,50	+1.50	2
	Mar Total	352.90	+1.70	-	-	ē	15 3,002	-	223.25 224.75	+2.00	2
		VER COME	Z (5.000 T	iny (Z.;	Cardo No,		-	Dog May	238.00 247.25	+2.50	2
	Apr	487.2			491.6	20	184	May	251,76		
	May Jul	486.0 489.0		495.0 495.0	482.0 485.0	13,283	38,579 21,151	Total	LLEY LLEY	e nan	_
	See	491,1	-4.4	500.0	488.5	361	5,981	Hay	24.75	40.48	=
	Dec Jac	493.3 492.7	-42 -42	- crine	490.0	-		Sep Nov	74.00	+0.25 +0.25	
	Total	TO AV				16,155	84,000	No.	78.00 78.00	+1.25	1
		RGY		PORT No.				Jan Mar Total	80.00		
				,000 (0	LIDET AN		_		ABENIS	<b>(3)</b> 6.1	001
			Day's change		Lim	Yel	Opera: lat	Hay	489.25		_
	litay	16.33				B5.336	102.84	-	498.50 501.25		5
	量	16.42	-0.30	16.75	16.25	15,012	132.9k 74,154	Ang Sup Her	504.00	+4,75	5
	Ang Sep		-0.24 -0.24	16.45	16.15	4,416	34, <b>663</b> 21,097	Jan.	\$12.25 \$22.50		
	Dat Total		-0.28	16.26	15.98	716	20,916	Total			
		DE OIL I	E (Sébar	mili		140,505	18,432		ABEAN O		_
		Goan	Day's	- Contract of the contract of	_	-	Open	May Jet Aug Sep	19.32 19.63	+0.41	1
		price	change			W	Int	Ang	19.76	+0.36	1
	jan.	14,89	-0.31 -0.28	15,10 14,97		23,356 34.964		œ	20.05	+0.38	2
	Jan Jai	14,61	-0.26 -0.26	14.79	14.53	1,912	<b>40 20</b>	Des Total	29.35	+0.40	4
	Sap Oct	14.54	-0.26	14.70	14.51 14.46	521	15,461 14,473	<b>901</b>	Mary I	EN C	7
	Tom	14.65	-6.19	14,52	14./(2	4/3	6,812 A/8	May Jak	134.9 137.1	-0.5	
	# HEA	THE OL	ATTIMET (	12.000 E	S paik;			Aug Sep	136.2	-0.1 -0.1	1
		Latest	100				<b>Open</b>	Sep Obj	139.3 140.5	-0.1	1
	-		-0.85	_	41.55	<b>Vol</b> 12.181 4	int 61.491	Total	143.8	+0.8	1
	Jan	42.40	-0.76	43.25	4210	1954	בעוב		ATTES L	FFE (20)	6
	Joi Ang Say	43.50	-0.71 -0.56	43.50	42.50 41.20	1,498	17.136 16,629	-	215.0	-1.0	2
	Sap Oct		-0.55 -0.55				8,372 6,445		225.0 78.0	-1.0 +10.0	
	Total					22,45311		Mag	100.0	+2.0	
	E 648	OL PE	_			-		Apr These	114.0	-3.0	
		Latest	_				Срин				Æ
		price			Low	Yes	int	Apr Siley Jan	920 935	+16 +10	
	May Japa	128.25	-2.75 1 -1.75 1			6.334 4 3,928 2		Jan.	885	+14	
	24	129.25 131.00				1,027 1 1,309	8,449	Cet	840 950	_	
	Aug Sep Cet	132.75	-1.751	33.50	133.25	154	7,777	Total	Close	Proper	
	Total	134.30	-1.75 1	33,00		24 1 <b>3,798</b> 14	3,364 11 <b>,000</b>	酮	JE4		
									PAN		
	_	0.200					2.400	PI PILL	ST DAY		24
	May 	9.300	+0.030 . +0.030	9.300	9.306	<b>50</b>	1,805		Sett. price	Day's change	
	Total	-		HB 2007	_	1,485	nfa 	Jan	475.00	+4.00	47
	m 10011	DESK. WAS	_	(IUUM)	-		Cone	Sep Total	483.50	+4.30	
		Latest price :	rpade rai			Tiel	iot	FUTURE	E DATA		
	=	2.115 - 2.150 -	-0.02T			7.740 5 6,483 2			ه خلال ج	<b>Select</b>	7
	ini M	2165 -	-0.015	2.194	115	5,578 2	1,132				
	Aring Sap		-0'055 -0'055			2,835 1 2,955 1		_			_
- 1	Oct	2.205 -	0.023	2.230	2.200	3,117 1	5,158		s and		
	Total				1	10,75 EP	<b>**</b>	Activ	e merke	t due 1	ю
1								gest.	of pistac Expecte	7805 S d 70	ut ris
	NYM	EX (42,00)	US gall	L: CUS	galls.)			tonn	ı. ÜS pi	stachic	4
		Latest urice	Day's Sampa	Hire	Low	₩ .	Opens int	11/13	supply.	1996	h
1	May		-1.84	_			-	Indk	un cas	hews	i
	kun Ad	50.60	-1.77	52.05	50.60	6,970 2	7,169	Short	crop a	nd dar	r.
- 1	وما		-1,50		50.35	1,164 1 740	7,62 <u>8</u>		ews. Y ndscro		
- 5	Sep Oct	49.40		<b>50.10</b>	49,40	313	5,094 2,878	Price	a for 18	99 first	
•				sW				1 3001	next m	or state in	

he	Chi	ean	gove	ern-	are	forcin	g prod	lucers	to su	b-	The	e pre	dictio	cents by ns are of imp	based	l ye	t we	don'	t have	a.         e e  an
	olou	o 14	obsk	- 00	whine	hod	CD	AINS	AMI	o on	e	Enc		SOF	TP					
						160		AUNO FEIT LIFE	F 1100 1	/ VIII	ta p	es Ens	•	201		çi il tonu	ne; S/In			
		Dey	'a go Mgi		Yel	Open.			Day's	: • Ithah		Well	Open			Day's change	Silah	Low	Vel 0	
	281.	6 -2	5 254.	300/			May	75.70	+0.90	75.70	75.25	249	2417		779	1 +8	779	780	9,307 4	
7	262. 563. 285.	2 -2	a A 305. 4 267.	282.4	31,95	125.St 10.202	Sep	75.00	+0.00		75.00	10	178	Sep	821	+11	824	895	3,859 3	0,029
t	27.	2 -2	4 267.	4 287.A	4 4	3,556	Jim	78.70		78.75	76.75		996	Mer		+12	876	100	1,484 1	(2)
	289.		4 292.		33,07	15,619 1 <b>96,00</b> 1	Total					47	1,000	Tetal					22,837 18	
<u> </u>	17790.00 358.	_		az.; \$/tr		36		298.75			_		32,715		1100				7,848 16	1.006
į	380	-2.	1 382	357.2	T BW	9,240 1,227	Joh	269.25	+2.25		267,00	20,209	80,507 6,886	20	1142	+5		1131	6,281 2 731 10	3,577
Ĺ	361.		1 382		) N	140		204.25	+1.75		201.75	4,256	17,233 3,512	Duc	1212 1283	+1	1218 1258	1200 1200	119	8,643
PA	LADER	IMPE	(1 <b>00</b> Tro	7 02.; <b>2</b> 4			Total			314.00		26		Many Testad	1278			-		1,966 1,976
R	365.9 362.9		369.9 0.088 D			2,723 228	<b>E</b> 144	W2E (ST (	5,000 bu	Die CO	7.00	-			OR (CCC)	ER W				
	365.9	0 +1.7 0 +1.7	0 -	-		126 15	-	223.25	+2.00	225.75	221.00	20,685	91,843 111,110	Aper 13 Dudy			868.	i <b>ce</b> 22		r. dag 01.30
iai Sel	WER COM	ez año	i Tres ez.	Contribu		3,000	Dec	238.00	+2.50	240.25	235.50	7,270	25,594 89,186		TE LIFE		_	_		
•	487	2 -4,	487.2	491.5	20	184				249.50 253.25		8	14,557 1,293	May M	1483 1475	+4		1486	3,418 25	,583
	488.4	4.	5 496.4	485.0	2,256	38,579 21,151	Total	ELEY LIT	E (100 )	-	per in		340,004	Step Hor	1490 1582	+1	1508	1500	122 2	482
•	491, 483.	3 -4,	4 500.6 2 501.1	490.0	117	5,981	Hing	74.75	+0.25	74.50	74.50	11		Jan Her	1504 1586		1511 1516	1 <b>506</b> 1915	3	146
n İsti	402.7	7 -4.	2 -		18,12	16 84,000	Sep Nov	76.00	+6.25		-	-		Total III COFF	E T C	ICE (37.	1000k; c	erin for	4,000 M 1	ĻEM.
-	RGY						Anna Mar-		+0.25 +0.25	-	_	-	_	1					5,366 12	
•	OL CL.	muex t Day		artiki. G	and)	Cours	Total	YABEANS	CBT 6,0	Oliku mi	n, central	16 100 bas	ent. hcl	Jap Sep Sec	102.30	+1.05	703.00	101.30	7,590 19 2,969 7	,629
	price	chan				int	Hay	489.25	+4.00		485.50	22,290	48,794	Her Her	106.25		195.25	105.70	952 4 336 1	
<b>y</b>	18.4	-0.3	1 16.81	16.25	53,578	102.8k	Alleg	901.25 504.00	+4.50	506.90	499.50	1,858		Total				1	14,181 46	
9	16.3		16.45	16.15	4,418	74,154 34,683	May Jan	\$12.25 \$22.50	+4,50	517.50	508.00°	4,761	37,333	Apr 13		E				
	16.00	-02	16.2	15.98	716	21,097 20,916	Total					28,465	2,2,60 104,277	Descap. d	ndrago		84.	13 [1		94.32 84.93
CH!	DE OIL	IPE (SA)	аттиф		140,835	615,432		19.37	+0.41	_	18.85		34,778		E SOGAR					
		Day		Len		Open	Jel Jel Jeg	19.63	+0.39	19.80		6,920		May Any	185.1 180.8				5,548 G. 4,187 <b>22</b> .	
•	14.86	-0.3	e High 15,10	14,78	23,356	1st 37,398	Sep. Oct	19.92	+6.37	20.05	19.76	270	8.796 5.863	Set Dec	181.2 183.8	+1.2		179.5	764 11, 419 5,	,968
	MAR	-0.2	14.97	14.53	4.015	40.00	Own Total						21,136	Her Hey	191.6	+21			263 3	209
	14.54	-0.20	14.79 14.70	14,46	521	14,473		AND I	EN CE	1 (DUD) 7	DOE, SA		_	Tintal				1	1,171	,254
	14.45	<b>-</b> 9.11	14,52	14/62	植	6,812 8/8	May Jel			137.2 138.2				_	B TI'C		_			_
HE	Tible of	L ATTIMES		iS pain	; #15 g		Jag Sep	139.3	-0.1	149.2 141.3	135.3	1,262	10,130	2	4.81	-0.06	4.93	4,7512	9,404 47, 2,837 60,	126
	price	chang	e tilgh		Yel	int.	Oel Dec	140.5 143.8		1423 145.2	143.3		18,165	State State	5.95	-0.06	5.41 6.8t	5.67	4,553 40, 2,333 21,	747
•	42.40	-0.7	42.85 43.25	42.10	1954	27/10/2	Total	ATUS L	FTE (20)	bens:		25,894 1 1000	13/02	Hey M	6.15	-9.04	8.07 6.15	8.07	167 3, 163 2,	726
	42.80 43.50	-0.56	43.50	4120	925	17.136 16,829		215.0 225.0	-1.0	220.0		47	120	Tetal III COTT	OR INCE	50.0			B,447 177,	,365
	44.90	-0.5	44.20 44.90	M.SE	153	8,372 6,445	Nev Mar		-1.0 +10.0 +2.0	-	=	Ξ	3						1,428 18, 2,216 17,	
•					22,443	68,375	Apr.	114.0		114.0		34 81	254	Oct Dac	<b>98.80</b>	-0.19	60.46	60.10	35 1.1 818 76.1	825
eu.	OL PE	Con-	_			Comm		90ET (197	eq Lia	€ ¢101	relax po	-	_	Mar.	60.65		69.70	60.55	167 3.1 24 1.1	373
	price	Charg	e Hilgh 128.50		Vel 5 724	int	Apr.	920 935	+16 +10	920 940	920 935	39	1,006	Total	GE JUNCE			7	7,688 <b>6</b> 0,	
	128.25	-1.75	129.50	127.25	3,928	22,180		885 840	+14	885	385	1	4 558	No.	\$2.70	-9.50	86.90	82.06 1	<b>,280 14</b> ,2	
1	131.00	-1.75	130.75 132.00	130.50	1.309	8,449	Cict Total	950	-	-	-	46	438	Jel Siep	83.50 84.65	-3.60 -3.75	87.90 89.80	82.50 84.60 ·	817 7.2 120 8/	234 223
			133.50 135.00		24	7,777 3,384 41,880	ᇑ	Clese J54	Poper -						87.4G	-175 -345	90.25	67.00	82 34 55 24	œ
						-	PUL	P AN	D P	APE	1			Total	私任	-13	8.40		2,134 M)	311 363
eş.	9,300		. 9.320			2,400	713	PER DARLE Sell		488		-			E DATA	_		_		7
			9.300			1,806		price	وخبل	Mgh		-	معدوا الط	Open k	विकास का				OFFICE SE SS	
UAT	DESK M	ii waa	X (10,00	neniko	-		Jan Sep	475.00 483.50				15 21	542 196	SEC PE		1 270 OE	day in	DITES.	Volume 8	
		Day's	High	·-	that	Open lot	Total					35	700							
	2,115	-0.02T	2.154	2.100	37,740	55,875		S CATA	ppiled i	<b>y 436</b> .				IMDIO	ES					
	2165	-0.015	2.175 2.194	415	5,578	21,132									D (Date:	189/31	= 100)			
	2.180	-0,022	2.205 2.210	2175	2,955	18,605	[ Nr		_					Apr 14 1325.2		r 13 26.6	138		year up 1650.6	
í	2.205	-0.023	2.230		3,117 78,7547		Long	as and	er al	t drain	nian p	latach	ios		there (C	are: 196	7 = 190			
_	eanen s	26V =					-age	of pistac	tidos s		for the	EU II	197-	Apr 11 189.05	14	r 12 8.51	-	7	-	
	EX (42,0)			galls)			tonn	Expects a. US pt	stachio	s 21/2:	5 et \$3	,850 F	AS.	<b>多</b> 10	Per Per				1900 A	_
		Change Cay's	Riek	Law	Yes	Opes lot	11/1	tsupply. 3. crop	1996	ndicati	on \$3,	900 C	FFL	153,81	15	r 12 2.11	142		185.42	
	50.40	-1.84	52.40	50.05	15,654	11,295	incre	age of	10% fi	OM (65	t mon	dı düe	to	Antho		-3,	<b>35</b>	•	890,1	175
	50.85	-1.57	52.05 52.30	50.60	1,164	18,620	cash	ews. V	/320	at \$6,	850 (	CFR.	US	Absreiten Copper		-81 +4,	300	16 18	97.5 721,2	200 200
	49.40	-1.65	\$1.65 \$0.10	49,40	313	7,628 5,094	Price	ands crop a for 18	99 first					Land Michel		-37 -12	!	10 10	105,7 R1,6	
1	48.10	-1.40	48.10		5 25, <b>66</b> 61	2.87E 10,784	30011	meet m	onth.					Ziec Tim		41, 411	No.	10 10	317,7	75 200
												-								
																	1			

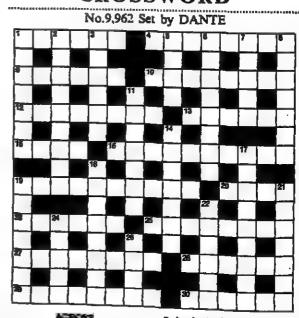
taliun	R Of DIE	hraven	ŞŲLI	PUL.					1 DUUS	•		
s	SOF	TS						ME	AT AN	DILIVI	STO	CK
_		DA LETT	(iiii )enno	ıs, S/lon				-	E CATTLE O			
Open		Sett	Day's						Bell D			
1 <b>in</b> t 19 EAT		<b>2000</b> 0	change +fl	_			41,179	-	66.375 -0.	eige (Eigh 550 67.17)		
6 241	8 🔟	883	+10	802	785	1,199	18,662	- Aire	63,600 -0.3	725 64,55	B3.475	17,906
10 17 12 3,11	8 Sup 7 Dec 6 Mar	<b>824</b> <b>85</b> 0	+11 +11	824 845	840	4,79	30,029 17,246	Oct	62,400 -0. 64,425 -0.	400 63.10X 450 65.000	64.200	1,413
0 59 - II		674 107		876 896			17,501 17,141	Dec Reb	66.275 ~Q.	475 <b>86.8</b> 50	6.209	250
7 N		-	714	990			181,000			200 00.120		2,01
				_	_				A 100 CR			_
5 3271: 6 mm m	5 57	1100	45 45				19,596					
E 6.66	5 500	1173	13	1175	1168	731	10,011	Jar	58,250 -1.1	25 57,850	55,100	1.086
6 3,512	3 Duc 2 Her 0 Hery	1212 1283	+1	1218	1200	3.43	6,643 6,411	Oct.	56,850 -0.1 55,375 -0.1	900 56.000 075 55.750	55.050 55.050	1,165
8 2 121,22	O Mary 2 Total	1278	+1	-	_	- 1	3,966 83,876	Doc Total	59.A00 -0.5	第 元版	55,400	::271 10,586
)		SH (000)	ER W	and)			•	m 20		<b>≫</b> (40,000		
8 91,84	3 Apr 13			Pa	<b>*</b>	1	tor. dag	May	51.075 - D.	HO 57,860	51.550	1.278
5 (11,11) 6 <b>26,59</b>		T LIFE		. 869.2	2		301.30	Jel Ann	\$3.350 -0.2 \$2.200 +0.4	800 53L <b>8</b> 00	52,630	422
0 89,18	8	1400	48	1.696		2.416	20,000	Total				1,746
6 14,65 8 1,290	, <u>, , , , , , , , , , , , , , , , , , </u>	1475	- 44	1485	1460	2 840	28 989					
2 340,00	2 Jul Step Hor	1499 1562			1462	435 122	7,950					
1 14	- Jan	1504	-	1511	1506	- 35	656	108	DON TH	ADED	OPTIO	)MC
5 4	Total	1980	-	[318	1913		146 98,674		price \$ im			- I
- 367 - 25		走せる	CE (37,94	Otto	rinte	1		M AL				
	. 1997	98.90 160.30						(99.7%	O LINE	No.	-	
6 (Mi Mich		102.30	+1.05 7	03.00 1	01.30	2,000	7,629	1300 .			94 96	* 28
0 48.794	- Sec	104.35	41,10 1	04.75 1 06.75 1	03.75 25.70	336	1,749	1350 .		6	35	64
8 50,565	May	106.25 107.80	+1.15 1	07.75	07.50	120	296	Gaste	AY LIKE		Ass	My
14,937 6 7,671	W 600	EMA				IN, ISS	40,615	1450 .		24	73	
37,331 2 2,246						-	100 der	1550 . 1550 .		_ ;	37	74 116
191,277	Dates. d	indry		94.4	1			E (0)	FRE LIFE	Man	1.00	
	- 10 100	E traces	NAME AND	-	-	-		1450 a		292	48	1
34,776	May	185.1	-43	190.1	181.0	5,548	6,125	1550 _		192	7	1
9,044	Awg	180.B	-0.9	182.5	180.1	4,187	22,990	775	DOM LIPPE	Mary 40	- M	May
5.863	Dec	183.8	+1.4	182.5	1820	479	5,270	890			35	14
21,136 137,65	Any Any Set Dec Her Hay Total	194.6	+26	19978	1985	223	1,362	825	en cane		24 Jan	4
	Tintal				1	1,171	\$1.254					7
36,051		# 71° (S	E 1120		mint.			1990 _				5
31,927	-		-0.DM								_	_
10,130		4.81 5.32 5.95	-0.0E	4.93 5.41	5.25	4,553	40,045	1.00	naw c	nor 1	KADU	-
18,165		5.95 f.03	-0.04 9.04	6.81 6.07			21,747 3,571		DON S		THE TANK	EIR
1 solute		6.15		6.15	8.07	163	2,226		OC 92 100			_
120	Tetal	OR WITE	50 (			M/M/	10		Special (Color)		14.12-4.2 14.67-4.71	
3	Reg		-£13 6	_		1,/28	14,586	Breat B	Henry (May)		14.85-4.31 6.28-6.30	
284	Oct.		-0.14 6 -0.19 6				17,917 1,855	M DE	MODULE N	Warren	lahey G	E (tow
401	_	39.56	+6.33 5	B.75	<b>38.30</b>	818	36,376		d <del>Carallo</del> ‡		190-163	
	- May		+0.37 6 +0.15 6		1.20	26	3,373 1,348	Gas CA Heavy I	Paul Oli	3	\$71-73	
1,008	Total	GE JUNEE	mere ale					Nephdo Jet Ton			135-137 133-138	
4	No.		-3.50 8	_			14 720		THAI 104 (N	3	138-139	
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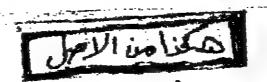
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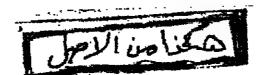
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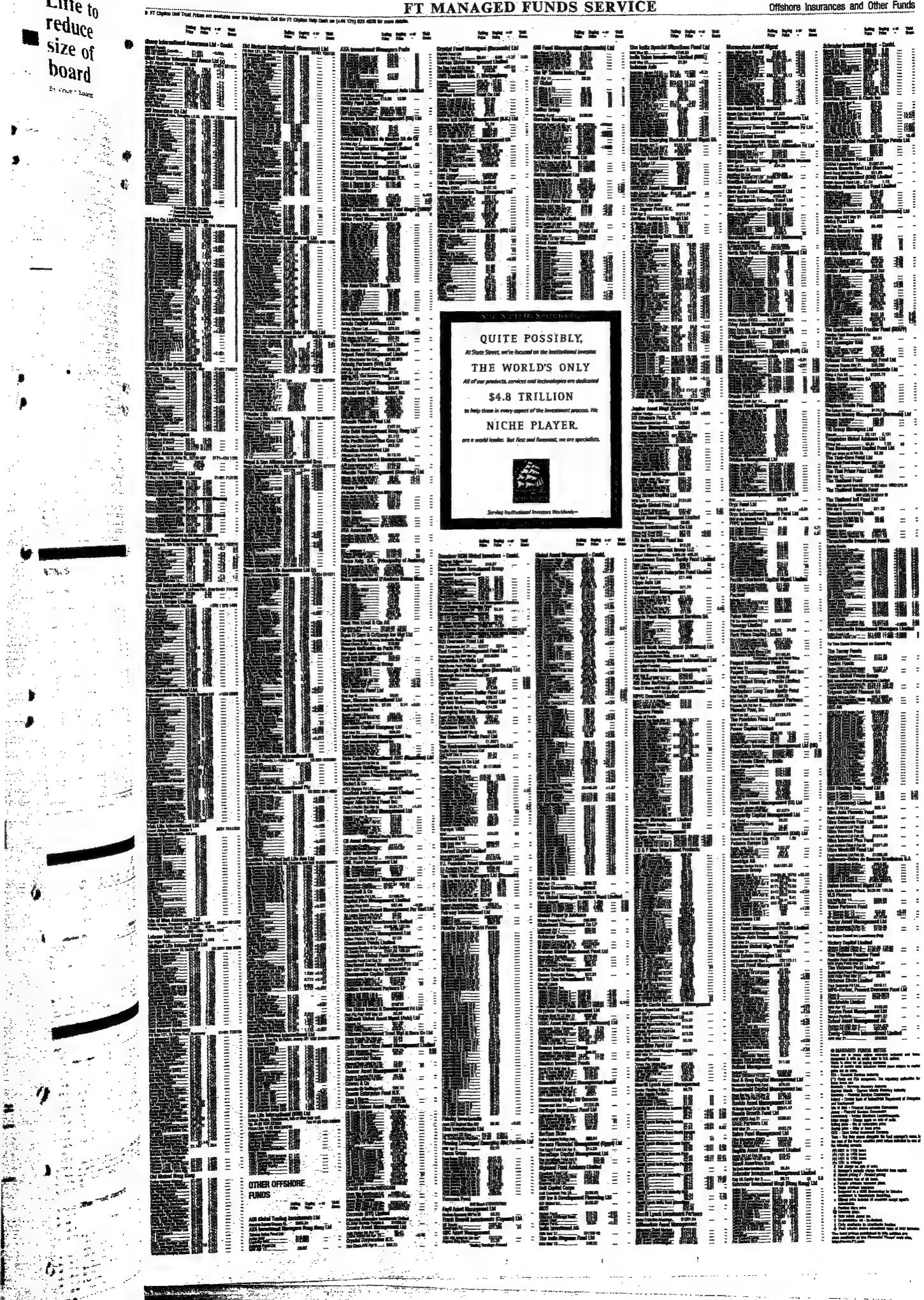
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## Midcaps benefit from switching out of leaders

MARKET REPORT By Steve Thompson, UK Stock Market Editor

A modest decline in the FTSE 100 index gave something of a rather misleading snapshot of overall senti- 2,443.9, up 15.3. ment in London's equity market yesterday.

At the close of trading the FTSE 100 was down 19.5 at by strong buying in the mid 6,493.6, having been down and small-caps; the market 49.5 at its worst.

stocks spent much of the day maker. in negative territory.

and third-ranking companies turned in a much more positive performance.

ahead at 5,637.5, after touching a session high of 5,639.4 ended at a session high of

"The leaders came off early on but any selling there was counter-balanced still feels as if it wants to go But while the front-line better," noted one market-

He added that there was reflecting pockets of profit- an increasing view that the ficiently in the early aftermedium and smaller stocks noon to hit a new intra-day

leaders, despite the outperformance of the FTSE 250 and SmallCap indices since The FTSE 250 settled 45.1 the start of the year.

While the FTSE 100 has and the FTSE SmallCap been hitting record intra-day and closing highs in recent weeks, the 250 and SmallCap indices are still way below their all-time peaks.

The 250 index hit a closing high of 5,966.6 on June 9, last year, while the SmallCap index attained its closing high of 2,792.7 on May 26. Although finishing in the

red, the FTSE 100 rallied suf-

away again.

There were some exceptional individual performances, notably from ICI. which climbed more than 13 per cent at one point as speculators bet on the group announcing the sale of its bulk chemicals businesses in the next few days.

The hunt to unveil the target of Warren Buffett's Berkshire Hathaway fund continued to excite shares in Marks and Spencer and Cadbury Schweppes.

Wall Street supported European markets again September, the economy is with Tuesday's 55-point rise expected to grow 1.1 per cent ing 1.2bn shares by 6pm.

lowed by another firm opening yesterday.

tone of the stock market was average forecast for 1999 backed up by the latest Merrill Lynch Gallup survey of UK Fund Managers, carried 0.8 per cent in January. Next out between April 1 and 7.

Merrill's survey revealed a U-turn in fund managers' perceptions of the UK economy and corporate earnings 42 per cent of fund managgrowth. Up to 83 per cent of ers, while construction, local fund managers expect a stronger economy on a port at the expense of teleyear's view as against a record low of 3 per cent last

per cent, or 361/4 to 1931/4n.

The stock fell to 960 amid

market turmoil late last

year, but has rebounded

strongly since. The price of

200p would be some 12 times

forecast earnings for next

The story of ongoing con-

solidation in the building

materials sector prompted

strong performances among

similar companies. BPB

gained 9% to 305%p as 1.3m

were dealt. Perennial bid

candidate Pilkington was

ahead 21 at 791/ap as 4.1m

Lloyds TSB dipped 17 to

£10.43 despite a robust state-

ment to its annual share-

holders meeting, with first-

quarter profits ahead of the

same period a year before

WestLB Panmure earlier to

"hold" from "buy" and

argued that a 25 per cent

Among smaller property companies, Greycoat gained

19 to 234%p amid brisk trade

FTSE Actuaries Share Indices

were traded.

Lloyds TSB falls

offered better value than the peak of 6.539.9, only to fall to another record, being fol- this year and 2 per cent next

The bullish underlying outnumber bears, with the earnings per share growth rising to 4 per cent from just

ings growth of 7.1 per cent. Cyclicals are the most popular broad sector, backed by media and banks gain supcome and pharmaceuticals. Turnover picked up strongly, eventually reach-



### ICI up on hopes of sale

COMPANIES REPORT By Peter John, Joel Kibazo

ICI was the best performer in the Footsie as the market responded to reports Huntsman of the US was buying some of the UK group's businesses and an announcement was imminent.

Analysts said Huntsman would be interested in ICI's bulk chemicals businesses, including petrochemicals and its titanjum dioxide business, the sale of which to DuPont and NL Industries fell apart over US Federal Trade Commission approval in January.

ICI rose 47% to 635%p on the expectation that it will finally have put in place its chemicais business. But ana-

The stock was also supported by a 4m share order rumoured to be associated with Warren Buffett, the US

cals and reposition as a spemade it difficult to dispose of those assets at premium sceptical about a takeover prices and reduce its £4.2bn debt mountain. Some analysts estimated the sale of ICI's industrial chemicals assets could net

the company less than £1.5bn, making only a dent Strong bid talk returned to Safeway, sending shares in the supermarket group

sharply ahead. Latest suggested an imminent bid for the UK company could come from US stores group Wal-Mart. Resisting the market trend, Safeway shares

approach from the US giant. One said: "Everyone knows Safeway is ready for a bid but I am not sure Wal-Mart is ready for the UK or for Safeway in particular," Safeway called off merger talks with Asda Group in September 1997.

The same specialist added: "In any event, Wal-Mart is big enough to look at other speculation UK opportunities. There is son why it cannot consider Tesco or even Sainsbury.

Demand for Asda saw the shares appreciate 7% to 159 p after trade of 19m. while a two-way-pull in

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Tesco, which reported bumper figures earlier this week, triggered turnover of 50m. making it the most actively dealt stock in the Footsie. The shares closed at 170p.

Sainsbury, the subject of profit-taking which left the shares trailing 315 to 3691 ap. was also busy on turnover of 14m. Profit-taking in Dixons fol-

lowing a recent run left the shares 71 lighter at £14.71, the worst performer in the Reports suggesting Marks

and Spencer maybe on the shopping list of US financier Warren Buffett continued to boost the stock yesterday. The shares, up sharply on Tuesday on the speculation. rose 14% to 443%p. The same rumours boosted Cadbury Schweppes. The shares mproved 181/4 to 933p.

High street retailer Boots and the company on track to rose 27 to 8831/sp after Schroachieve promised savings. der was reported to have The previous day the shares advised clients to switch into had hit an all-time high. the stock and out of Kingfisher, which declined 251/4 to News that Polypipe was in

advanced takeover talks at

outperformance against the 200p a share prompted the All-Share index in the past stock to gain more than 23 quarter had left the shares overvalued. The shares recovered later to close flat 23 TH 44.

a defence document to the all-share offer from Delancey Estates, which it said was worth 194p a share. Delancey was static at 98p. Scotia Holdings rose 131/2

to 139p following removal of a stock overhang and a recent "buy" recommendation in the specialist press. Founder and former chief executive David Horrobin recently disposed of most of his 11 per cent stake in Scotia and, with this overhang 150 307 130-1 removed from the market, 167 307 152-1 the stock responded to newfound buying interest.

St James Place gained 171/2 to 297%p on fresh talk of a bid from Prudential Earlier, the shares were up 34 but firm rejection of the speculation by St James pushed the share price back down.

Prudential, which holds about 27.5 per cent of St James after its acquisition of M&G added a half per cent to its existing holding.

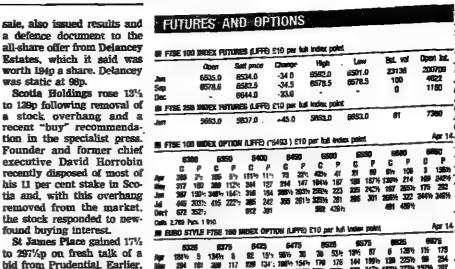
closed unchanged at 844%p. Jefferson Smurfit, the Irish paper and packaging company, rose 11 to 142p. building on earlier gains in response to earnings on Tuesday above market fore

tor, closed up a penny at 660p amid some 3.3m dealt after it released passenger numbers that exceeded some analysts' expectations. The stock reacted strongly in National Westminster early trading and advanced dropped in early trading. some 20p but profit-taking in later dealing saw it retreat. The company said passenger numbers were up 7.6 per

> tions of below 7 per cent. London International Group, the healthcare group. gained 10 per cent or 15% to 167% p as an unspecified bid rumour did the rounds late in the day.

cent, compared with expects

Specialist engineer L Gardof 2.8m as it said its net ner was ahead 16% at 358p asset value was now 283p, an after reporting a 62 per cent increase of 29 per cent. The rise in interim profits and a company, which is up for bullish trading statement.



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TRADING VOLUME

and Martin Brice

improved 10 to 261½p. However, analysts remain

long-discussed disposal and transition to a speciality lysts said shares could slip after the financial details were revealed.

The company has been trying to get out of bulk chemiciality chemicals company. But low prices, falling sales and regulatory denials have

DPLACER DOME INC.

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Graham Farquharson

Placer Dome Inc. has announced the appointments of John Crow, former Governor of the Bank of Canada, and Graham Farquharson, President of Strathcona Mineral Services Limited to the Board of Directors. Mr. Crow, a graduate of Oxford University in England, has enjoyed a blue-ribbon career in public finance with positions of increasing responsibility at the International Monetary Fund in Washington starting in 1961 and with the Bank of Canada from 1973. He was Governor of Canada's central bank for seven years to 1994, and in 1993 was elected Chairperson of the central bank Governors of the Group of Ten countries, a position he relinquished when his term as Governor ended. He is currently a senior advisor on financial matters and director of companies.

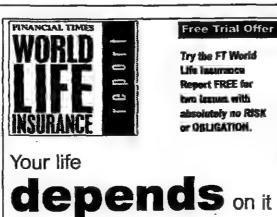
Mr. Farquharson, a mining engineering graduate of the University of Alberta with an MBA from Queen's University, has been responsible for the overall direction and management of Strathcona Mineral Services since 1974, acting as principal on assignments covering a wide spectrum of activities in the mining industry, including project management, project and company appraisals, feasibility studies, operational reviews and administration of public mining companies. In recent years many of his assignments have been in countries other than Canada, including evaluation of investment opportunities in Central Asia and Latin America.

Placer Dome is an international gold mining company based in Vancouver, Canada.

Financial Times Surveys Cyprus Tuesday June 8 For larther information please contact-Kirsty Saumiers in Loudon Tel: +44 171 873 4823 Fas: -44 171 873 3204 Email: kirsty.saunders@FT.com or Oriana Patala in Nicusia Tel: +357 2 590555 Fax: +357 2 358443 Email: actionpr@spidernet.com.cy

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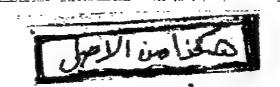
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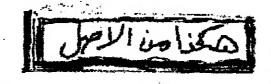
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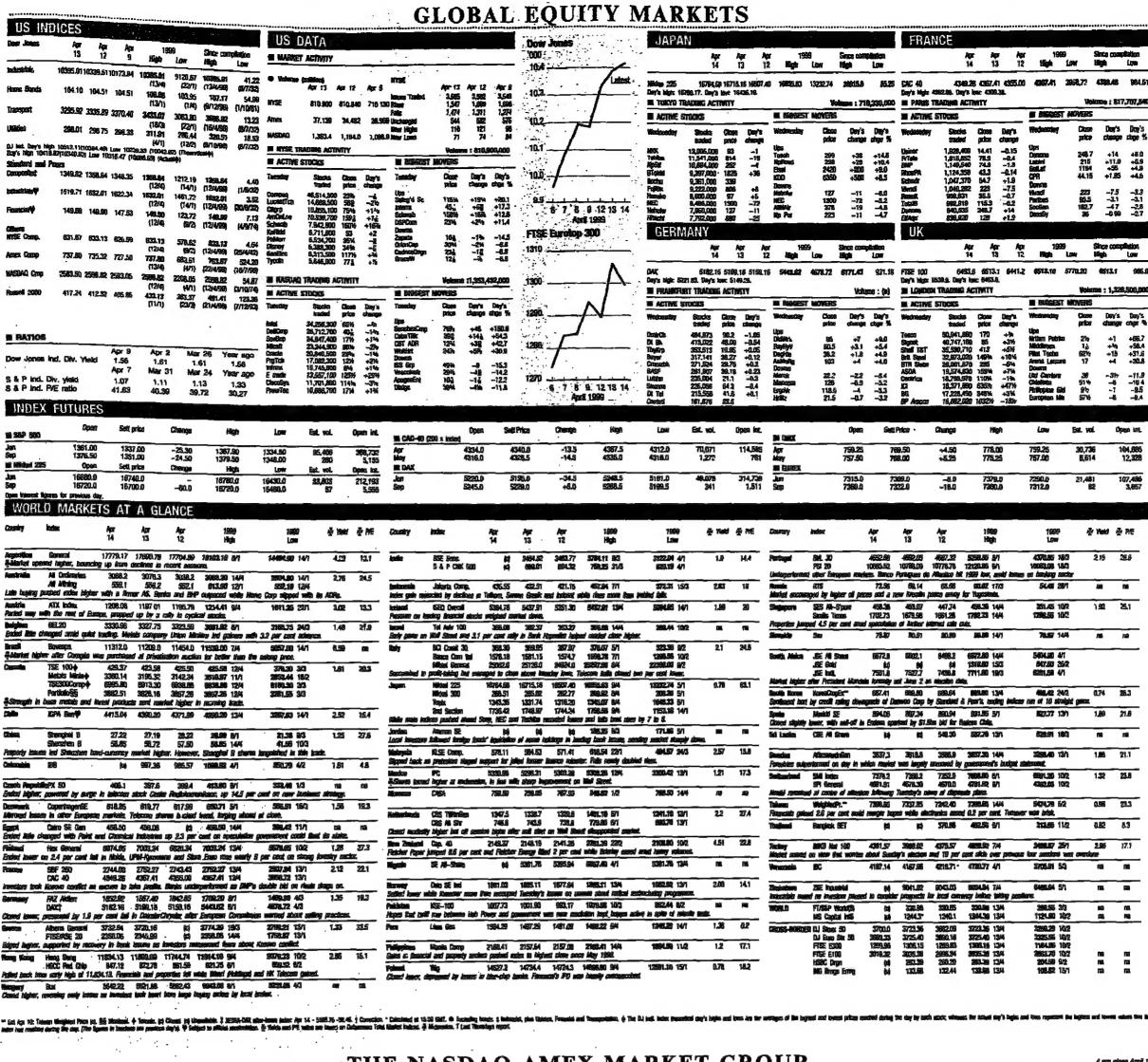
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# **STOCK MARKETS**

## Wall Street rise leads to uncertain session

**WORLD OVERVIEW** 

Wall Street's somewhat closed. unconvincing rise to a fifth scene for an uncertain day writes Michael Moroan. The Dow's early perfor-

mance yesterday was also through the 10,500 level not as many investors judged sales gave investors some- oil prices and news of a tinue to look attractive flows."

Kuala Lumpur was Asia's biggest loser as protestors clashed with riot police outin world equity markets, finance minister Anwar Ibrahim was sentenced to six years in prison on corruption charges.

Europe was mostly lower

ever, spork life into some of

cent as worse-than-expected first-quarter results brought profit-takers out in force. But in Paris, Danone was the blue-chip leader as betterthan-expected first-quarter The smaller markets were

more lively. Istanbul shot up in Frankfurt, Mannes- 9.9 per cent as worries about mann tumbled almost 8 per the outcome of Sunday's election, and the market's 19 per cent slids over the previous four sessions, seemed

Moscow climbed 6.4 per cent, encouraged by higher

monthly average of \$6.7bn. Nonetheless, equities con-

coming until an hour after the time ripe to book profits. thing other than Kosovo to Kremlin peace envoy being against other asset classes the European markets had Corporate news did, how think about. and last week's European Research indicates flows Central Bank rate cut can into European equity funds only reinforce this, says Jonremained soft at the start of athan Stubbs, European the year. Salomon Smith strategist. "Further equity Barney estimates \$4.8bn market stability will flowed into the funds in Feb-increase retail confidence in ruary, up from January's equities and, combined with \$4.2bn but down on 1998's the low returns available on other asset classes, should see a healthy pick-up in

might also announce a

co-operation deal or merger. Clariant, due to unvail sales

figures tomorrow, gained

Heavy demand was also

seen in the high-tech sector.

Distefora, a small informa-

acquisition of a leading Ger-

MADRID closed slightly

on the general index, as

investors focused on Endess.

Shares in the electricity

company were 66 cents off to \$22.10 following its \$1.5bn

country's leading power gen-

erator, late on Tuesday. Some traders suggested End-

aker, down 3.29 to 894.05

SFY16 to 5FY746.

**EMERGING MARKET FOCUS** 

## **Hungary thirsts** after liquidity

to Hungary's first technology listing - Synergon - the long-desired recovery for prices on the Budapest stock market remains as clusive as

The benchmark Bux index. hit lately by negative eco-nomic data, closed yesterday at 5,562.22, up 20.34 on the day but still almost 40 per cent short of the 9,017 all-time high of last April. Performance so far this year has been miserable. The index is down 17.5 per cent in dollar terms, earning Budapast the title of poorest performing European mar-

ket. Poland, for example, is off 1.7 per cent this year. The casual observer might be tempted to blame the Kosovo crisis. Analysts, how-ever, while admitting it has some bearing on short-term sentiment, mostly shrug off the problems caused by hos-

tilities - at least to date. "Only about 0.5 per cent of Hungary's trade is with Yugoslavia," said Csaba Varga, chief analyst with Citibank in Budapest. Apart from specific compa nies, such as the state-owned

shipping lines Mahart, which has suffered from the closure of the Danube to navigation, the damage to the economy so far has been "minimal", said Mr Varga -although that could change if the conflict drags on and hits the tourist industry.

The lack of direction that pervades the bourse is more down to problems with domestic macro-economic fundamentals, Inflation for March was up at 9.3 per cent and the latest figures for the budget and current account deficits are swelling.

Daily turnover, typically around \$55m, is one-third down on a year ago, and much of this is intra-day, speculative investment. The general consensus is that the government fiscal deficit tar8750

and GDP growth will miss the original 5 per cent target by a percentage point or so. The government insists no needed. And HSBC Securities in its latest report on to be "legitimate explanations for each individual tion is "excessive". In the medium term, however, HSBC warns that

either the data needs to improve or a fiscal adjustment is required. The rub. as the report states, is that promises of fiscal contrac-tion lack credibility from a government elected on a pro-

New listings will help liquidity. The maximum subgon issue values the systems integrator at about \$132m. with almost half that in free float. And the state is preparing the sale of a further 5.7 per cent tranche cur-Matay, the telecoms leader. Good news could also take

he form of a better outlook which are expected to be patchy this year but could be showing more consistent growth in 2000. But until then general economic performance is likely to deter-

## Cyclical stocks Europe slips on Kosovo fears provide power for Dow rise

**AMERICAS** 

US investors shrugged off a cautious start and sent stocks sharply higher in early afternoon trading, with gains in cyclical and financial stocks sending the Dow Jones Industrial Average above 10,500, urites John Laboue in New York.

increased, with advancing stocks leading decliners on the NYSE by a margin of nearly 2 to 1. The Dow gained 105.17 at 10.500.18. The broader market, including the technology sector, trailed well behind blue chips at midday. The Standard & Poor's 500 index gained 1.94 to 1.351.78 and the Nasdaq composite was 9,47 stronger at 2,392.97.

day. In the Dow, shares of active business as the buyers banker J.P. Morgan were \$9% or more than 7 per cent stronger to \$139!, after the company exceeded earnings

The real power behind the midday Dow was cyclical stocks including International Paper, up \$414 or more than 8 per cent at \$52%. Alcos, up \$3% or 8.3 per cent. to \$50%, and Caterpillar, up

\$37% one day after the com-Among declining Dow shares, Merck continued to sell off, down \$2". at \$80%.

In the telecommunications sector, Lucent Technologies gained 44 to \$61% after the \$115 ahead of its earnings softened.

Computer-related shares were less impressive, though

generally higher on the day. Apple Computer gained nearly 6 per cent or \$24 to \$36h in anticipation of its quarterly report. But Dell Computer was off \$1 at \$38. Online brokerage stocks The breadth of buying were mostly lower as investors took profits after a strong session on Tuesday. Charles Schwab was down

> Ameritrade were off 9 per cent or \$15% to \$157% ahead of its earnings report. The small-company sector also managed a strong rise after many months of listless trading. The Russell 2000 index gained 5.88 or 1.4 per

\$4 to \$146 while shares of

cent at 423.12. TORONTO pushed steadily on took centre stage yester- higher in early trading in sought blue chips.

> more than a flith of the benchmark weighting, were a strong market and the 300 aposite index was up 66.40 at 6.979.70 at noon. In banks. Bank of Montreal gained C\$1.15 at C\$67.25 while sector leader Royal Bank of Canada rose C\$1.85

to C\$77.30. Bombardier among indusseing was also a clear trials continued to warm to favourite, gaining \$2% to recent solid results, adding

50 cents at C220.50, Northern Telecom rose 25 cents to Resource eniners included nickel miner Inco. which

improved C\$1,25 to C\$22 and gold miner Barrick, where the shares improved 10 cents to C\$25.95. Marathon Oil was one of

company said it would meet the morning's heaviest casu-or exceed earnings expects. alties, sliding C31.50 to C341 tions. Tellabs rose 22', at as international oil prices

#### Comgás auction gives balance to São Paulo

SAO PAULO ralifed modestly in early trading, ahead in spite of nervous-partly regaining Tuesday's ness about interest rates decline of nearly 2 per cent. Brokers said the outcome of the auction for natural gas distributor Comgas had helped restors some belance bidders, Royal Dutch Shell and BG, paid \$992m representing a healthy premium

By the midsession count the benchmark Bovespa

on 24-day Cetes hardened. The IPC index was trading

at 5,308.32 at midsession, an improvement of 12.01. CARACAS responded to a softer day for international oil prices by moving gently lower in morning trading.

MEXICO CITY edged that had been sparked by an upward spike for the local money market where rates

By midsession the IBC index was off 10.23 at 4,157,63.

European markets closed mostly lower in anite of another record close on Wall Street overnight. Fears of an escalation in the Kosovo conflict also kept the lid on Forestry and paper stocks outperformed, however, ris-ing 3.6 per cent following upbeat results from US and

Irish industry leaders on Food producers also delivered strong gains, up 2 per cent, led by Danone, Uni-lever, and Nestié. Chemicals rose 1.3 per cent on gains in the Netherlands and a bro-

ker upgrade for the sector in The FTSE Eurobioc 100 index, which covers the leading companies in the eurozone, closed 4.64 or 0.4 per cent lower at 1,062.23. The PTSE Eurotop 100 index. covering countries both

For full FTSE Buronean see Euro Mericata page.

inside and outside monetary union, retreated 16.06 or 0.5 per cent to 3,019.22, while the oader FTSE Eurotop 300 index was 6.19 or 0.5 per cent off to 1,299.98. FRANKFURT brought a

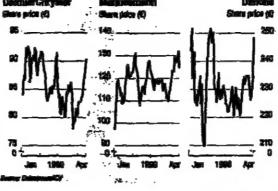
four-day upward run of almost 200 to an end, giving up 38.46 at 5,186.76 on the DaimlerChrysler ran into

profit-taking after Tuesday's €3.19 advance, slipping €1.70 to €90.25 in spite of an upgrade to "medium-term buy" at Merrill Lynch. The shares fell to a low of 689.65 of anti-competitive sales practices.

Chemicals shares were wake of a positive note from Bank Julius Baer which moved from "underweight" to "overweight" on the sector. Degussa-Huels surged €1.30 to €38.20 while Bayer improved 13 cents to €38.40.

First-quarter results short of analysts expectations sent telecoms leader Mannesmann down €7.88 at €37.80. Among cyclicals Linde rose €16 to €571.05. Top retailer Karstadt gained €11

PARIS tracked the rest of



Europe southward, ending 18.15 or 0.4 per cent lower to 4,349.26 on the CAC-46. Danone bucked the trend \$248.70 on positive first-quar-

ter sales. weaken following an announcement on Tuesday that it would raise 65.7bm of new capital. The share shed €7.50 to €228, a 6.8 per cent loss in three days.

with BNP off £1.80 to £74.80 while Société Générale shed €4.70 to €162.70 and Paribas fell €3.10 to €95.50. The French bourse watchdog cleared the SocGen and Parihas responses to BNP's hostile bid on the two companies, paying the way for the market regulator to open the

Bucking the trend was CCF, perceived as a takeover target, which rose €1.75 to €91. Belgian-French bank Dexia was also stronger, closing €5.30 higher to £130.80 after making a nale de Luxembourg which it does not own.

AMSTERDAM managed to met with demand in the stay positive, thanks to good gains for leading cyclicals. The AEX index ended up

In chemicals, DSM gained €4.10 to €81 and Akzo Nobel rose €2.10 or 5.7 per cent to €38.95. Steel leader Hoogovadding a further €1.40 to €37.40 for a three-day gains of 12 per cent. Unilever rose €1.90 to

€66.80 with investor interest quarter sales at French foods

#### Online Trading enlivened by the strong first-

#### Jo'burg firms on new issues

SOUTH AFRICA

Shares in Johannesburg stayed firm with broad sentiment boosted by election news and a number of excit-ing new issue performances. The all share index added

Holdings rose on its first day, closing at R5.90, against a flotation price of R1.70. been set for June 2 also cheered investors. However, gold stocks were dull, slipping 14.1 to 2,927.

tion technology company leapt SFr84 or 73 per cent to man internet service pro-vider and forecast sharp profit growth. Earlier in the year, the share traded at less than SF117.

> Tank storage group Pakhoed came off steeply follow-ing a profits warning and a subsequent raft of broker downgrades. The shares ended off 90 cents or 4.3 per cent at @0.10.

strong demand for Nestlé after Tuesday's news that the company planned to sell part of its European frozenhigh-margin items. The shares climbed SFr36 to SFr2,782 for a two-day rise of

with the SMI index closing 12.0 higher at 7,378.2. The speciality chemicals sector was also bought. Cibs.

rose SFr5 to SFr125 on rumours that the company, which is due to publish first-

METCONE EAVIL O'DA

Arnhemsche, the holding company with a near 11 per cent stake in Akzo Nobel. aurged €3.50 or 31 per cent to €14.90 following an agreed takeover bid from ING. ZURICH saw further

6,974.85 4.5 per cent. The broad market was flat,

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esa was paying too high a price for its Chilean name-HELSINKI was pulled down by a 2.4 per cent drop in market leader Nokia, of 90 cents to €78. The Hex index conceded 28,39 to

The forestry sector, how-ever, turned in another robust performance, boosted by rising paper prices and upbeat results from international Paper in the US and Jefferson Smurfit in Ireland on Tuesday.

£5.±22

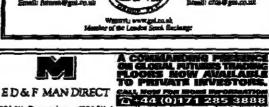
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# Singapore boosted by financials

A firm local dollar plus active buying of financials ent SINGAPORE up to its highest level since October 1997. The Straits Times index ended 22.75 or 1.4 per cent higher at 1,702.73. The property sector surged

interest rate cut and optimism ahead of plans for financial reform the government is expected to unveil before mid-year. Among leading property stocks, City Developments rose 40 cents to \$39.95 and Singapore Land added 30

cents at SS4.80. TORYO began cautiously but recovered towards the close as investors returned to buy on dips, after the benchmark Nikkei 225 index fell below 16,500 for the first time in four days, writes Michigo Nakomolo.

The blue-chip index closed up just 49.52 at 16.764.68 after moving between a high of 16,799.17 and a low of 16,436.19. The Topix index of all

1,343,35, while the Nikkei 300 rose 2.69 to 288.51. caught between concerns exchange market.

4.5 per cent on talk of an 475

about technology stocks in the wake of the negative news from Compaq Com-puter last Friday and hopes that fresh money would enter the market as allurations by pension funds start in the new financial year.

fell Y380 to Y11.700. Volume rose to 719.33m

unchanged. Defensive stocks attracted Following a firm rise on attention amid the uncer- Taiwan. Tuesday, the market was tainties in the foreign

Pharmaceuticals, for Cathay United's pu example, were favoured since their main market is stic. Takeda Chemical Industries hit a record Y5,570 although it closed somewhat lower at Y5,550, up Y270 on the day. Pujisaws Pharmaceutical gained Y96 to Y2,005. Restructuring continued to

be a favourite theme. KDD rose Y500 to Y6,350 after a report that it planned to trim its workforce by 35 per cent, KDD denied it had made a decision on the exact extent of staff cuts, DDI surged Y10,000 to to profit-taking as the Hang Y615,000 on news that it was

talking to IDO, a mobile carrier, about integrating their cellular phone operations. These talks are widely seen to be a precursor for a fully fledged merger.

technology exporters. Sony a four-month high, powered by mergers and acquisitions activity in the banking seccompared with 692.02m on tor. The weighted index Tuesday. In spite of the over- advanced 60.80 or 0.8 per all gain, declining issues out- cent to 7,396.65, also lifted by numbered advancers 638 to anticipation of a meeting listed shares gained 11.61 to 558 with 122 issues today between foreign pension fund managers on investment opportunities in

The financial sub-index

rose 2.6 per cent on hopes

a stake in troubled Taichung Business Bank could unleash a wave of restructuring in the sector KUALA LUMPUR closed ment day as investors saw street protests as a pretext to book profits.

The composite index

ended a four-day rally, fall-

ing 6.52 to 578.11 after dem-

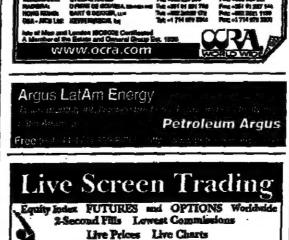
onstrators reacted angrily to a court ruling jailing former finance minister Anwar Ihra-HONG KONG succumbed Seng index ran into resis tance just below 12,000. The blue-chip index closed 65.58 lower at 11,834.13 after hit-

11,963.91 in the first hour of n the new financial year. TAIPEI dismissed a late HSBC dipped HK\$2 to The stronger yen also hit bout of profit-taking and hit HK\$268, Hutchison Whampos fell HK\$1 to HK\$65.75 and controlling shareholder Cheung Kong shed 75 cents

ting a 17-month high of

JAKARTA was higher as foreign demand for secondliners overcame profit-taking in some of the big-cap stocks. The composite index finished 3.03 higher at 435.56. Profit-taking sent heavy-





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